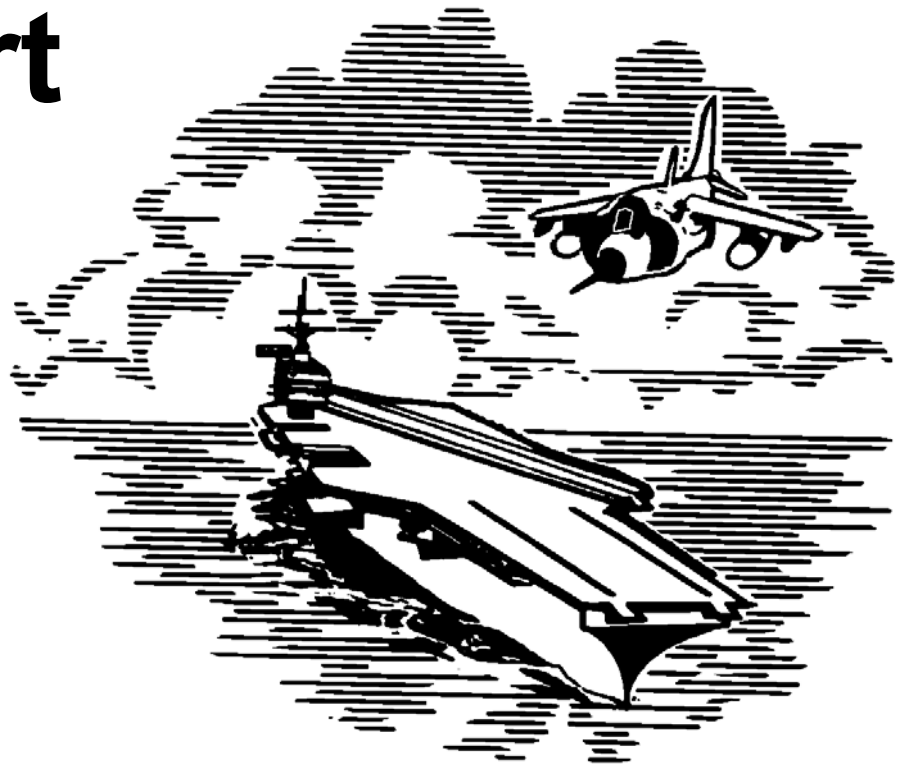




Audit Report



Government Commercial Purchase Card Program at Selected Activities

N2004-0030

26 February 2004

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7547/N2003-NFA300-0023
26 February 2004

MEMORANDUM FOR DISTRIBUTION

**Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT
SELECTED ACTIVITIES (N2004-0030)**

Ref: (a) NAVAUDSVC memo 7547 N2003-NFA300-0023 dated 1 Nov 02
(b) SECNAV Instruction 7510.7E, "Department of the Navy Internal Audit"
(c) SECNAV Instruction 5200.34, "Management of Audit Decision and Followup Functions"

1. This report provides results of the subject audit announced in reference (a). Section A of this report provides our findings and recommendations, summarized management responses, and comments on the responses. Section B provides the status of the recommendations. The Appendices contain the full text of management responses.

2. The status of the recommendations are as follows:

a. Regarding Recommendation 1: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, Naval Medical Information Management Center Bethesda, Navy Recruiting District San Diego, Naval Research Laboratory, Naval War College, and Shore Intermediate Maintenance Activity Mayport all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps plans appropriate corrective action; therefore, this recommendation is considered open for them. In their respective management responses, the National Naval Medical Center Bethesda, Naval Surface Warfare Center Carderock, the Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, Navy Exchange Coronado, and Space and Naval Warfare Systems Center San Diego disclosed that actions had taken place following the period we reviewed, but prior to the commencement of the audit or site visit; as a result, these activities are no longer included as action commands for this recommendation. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

b. Regarding Recommendation 2: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, National Naval Medical Center Bethesda, Naval Medical Information Management Center Bethesda, Navy Recruiting District San Diego, Naval Research Laboratory, Naval War College, and Shore Intermediate Maintenance Activity Mayport all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps and Navy Exchange Coronado plan appropriate corrective action; therefore, this recommendation is considered open for them. In their respective management responses, the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, and Space and Naval Warfare Systems Center San Diego disclosed that actions had taken place following the period we reviewed, but prior to the commencement of the audit or site visit; as a

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result, these activities are no longer included as action commands for this recommendation. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

c. Regarding Recommendation 3: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, Naval Medical Information Management Center Bethesda, Naval Research Laboratory, Naval War College, and Shore Intermediate Maintenance Activity Mayport all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps, Navy Recruiting District San Diego, Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and Naval Undersea Warfare Center Newport plan appropriate corrective action; therefore, this recommendation is considered open for these activities. In their respective management responses, the National Naval Medical Center Bethesda, Navy Exchange Coronado, and Space and Naval Warfare Systems Center San Diego disclosed that actions had taken place following the period we reviewed, but prior to the commencement of the audit or site visit; as a result, these activities are no longer included as action commands for this recommendation. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

d. Regarding Recommendation 4: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, National Naval Medical Center Bethesda, Navy Recruiting District San Diego, Naval Research Laboratory, and Shore Intermediate Maintenance Activity Mayport all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps, Naval Medical Information Management Center Bethesda, Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, and Navy Exchange Coronado plan appropriate corrective action; therefore, this recommendation is considered open for these activities. In their respective management responses, the Naval War College and the Space and Naval Warfare Systems Center San Diego disclosed that actions had taken place following the period we reviewed, but prior to the commencement of the audit or site visit; as a result, these activities are no longer included as action commands for this recommendation. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

e. Regarding Recommendation 5: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Navy Exchange Coronado, and Shore Intermediate Maintenance Activity Mayport all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps, National Naval Medical Center Bethesda, Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, and Naval War College plan appropriate corrective

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action; therefore, this recommendation is considered open for these activities. The Naval Medical Information Management Center Bethesda provided an incomplete response; therefore, this recommendation is considered undecided for them and will be elevated to the Bureau of Medicine and Surgery for comment. The Naval Research Laboratory did not concur; therefore, this recommendation is considered undecided for them and will be elevated to the Office of Naval Research for comment. In their respective management responses, Navy Recruiting District San Diego and the Space and Naval Warfare Systems Center San Diego disclosed that actions had taken place following the period we reviewed, but prior to the commencement of the audit or site visit; as a result, these activities are no longer included as action commands for this recommendation.

f. Regarding Recommendation 6: The 1st Dental Battalion/Naval Dental Center took appropriate corrective action; therefore, this recommendation is considered closed for them. The Naval Medical Information Management Center Bethesda response did not indicate that appropriate action was taken; therefore, this recommendation is considered undecided for them and will be elevated to the Bureau of Medicine and Surgery for comment.

g. Regarding Recommendation 7: The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, and Naval Surface Warfare Center Carderock all took appropriate corrective action; therefore, this recommendation is considered closed for these activities. The Marine Corps plans appropriate corrective action; therefore, this recommendation is considered open for them. In their management response, the Navy Exchange Coronado disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit; as a result, this activity is no longer included as an action command for this recommendation. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

h. Regarding Recommendation 8: The Department of the Navy eBusiness Operations Office plans appropriate corrective action; therefore, this recommendation is considered open for them.

i. We consider Recommendation 9 closed for the Navy Exchange Coronado. The Marine Corps plans appropriate corrective action for Recommendations 9, 10, and 11; therefore, these recommendations are considered open for them.

j. Regarding Recommendation 12: The Navy Recruiting District San Diego, Naval War College, and Marine Corps plan appropriate corrective action; therefore, this recommendation is considered to be open for them. The Shore Intermediate Maintenance Activity Mayport did not concur; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Naval Surface Force, U.S. Atlantic Fleet for comment. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

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SELECTED ACTIVITIES (N2004-0030)**

k. Regarding Recommendation 13: The Navy Recruiting District San Diego, Naval War College, and Marine Corps plan appropriate corrective action; therefore, this recommendation is considered to be open for them. The Shore Intermediate Maintenance Activity Mayport response does not meet the intent of the recommendation; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Naval Surface Force, U.S. Atlantic Fleet for comment. Submarine Group Ten did not respond; therefore, the recommendation is considered undecided for them and will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.

3. No further action is required on closed recommendations. Open recommendations are subject to monitoring in accordance with reference (b). Therefore, management should provide a written status report either upon completion of agreed-to actions or within 30 days after the target completion date. For undecided recommendations, the responsible commands are requested to respond within 30 days of this audit report, indicating concurrence or nonconcurrence with the recommendations, and providing corrective actions planned or taken with target completion dates. All undecided recommendations must be resolved within 6 months of the date of the final report in accordance with reference (c). Please provide all correspondence in electronic format (Microsoft Word or Adobe Acrobat file) to the Assistant Auditor General for Financial Management and Comptroller Audits, Mr. Luther Bragg, luther.bragg@navy.mil, with a copy to the Director, Policy and Oversight representative (SSR-022), Ms. Rhonda Goveia, rhonda.goveia@navy.mil. Please ensure that the electronic version is on letterhead and includes a (scanned) signature.

4. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy. In accordance with reference (b), this audit may be selected for follow up audit.

5. We appreciate the cooperation and courtesies extended to our auditors.



LUTHER N. BRAGG

Assistant Auditor General

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Office

Executive Summary

Overview

This report contains summary information regarding our audit of the Department of the Navy (DON) Government Commercial Purchase Card (GCPC) Program at 20 DON activities. The GCPC Program was implemented in 1989 to streamline the procurement process for micro-purchases. DON policy requires that the purchase card be used to buy and/or pay for all requirements under the micro-purchase threshold. The purchase card is used to purchase supplies and services up to \$2,500, construction up to \$2,000, and training at or below \$25,000, and must be used either as the procurement method or method of payment for micro-purchases. Our fieldwork, conducted from 12 December 2002 through 1 December 2003, focused on purchase card internal controls at 20 DON activities from 1 October 2001 through 31 March 2002. Additional background, as well as information on the audit objectives and scope and methodology, is noted in Exhibits A through C.

Conclusions

We found deficiencies in the purchase card program at DON activities that did not accurately reflect the activities' responses to the required expanded semiannual review. In addition, for the period reviewed, DON activities did not maintain adequate internal controls over their purchase card programs, did not maintain transaction files, and did not include the purchase card in the list of assessable units for their management control program. These conditions occurred because activities did not follow required guidance.

We found instances where (1) files were prematurely destroyed; (2) files were provided for an investigation, but unable to be located for our audit; (3) cardholders who maintained the files were no longer available; or (4) files were missing. We also found that activities misinterpreted guidance or did not have a list of assessable units. Criteria such as the Naval Supply Systems Command Instruction 4200.94, the DON eBusiness Operations Office Instruction 4200.1A, and the Secretary of the Navy Instruction 5200.35D specify purchase card program and management control program requirements. As a result of commands and activities not following guidance, the DON does not have reasonable assurance that effective controls are in place to detect and prevent inappropriate use of the purchase card.

Corrective Actions

To correct the noted deficiencies, we made recommendations to the appropriate DON commands and activities. We received responses from all addressees, except Submarine Group Ten. Corrective actions planned and taken meet the intent of the recommendations. Recommendations 1-4, 7, 12, and 13 for Submarine Group Ten will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet.

Recommendations 5 and 6 for the Naval Medical Information Management Center Bethesda will be elevated to the Bureau of Medicine and Surgery. Recommendation 5 for the Naval Research Laboratory will be elevated to the Office of Naval Research. Recommendations 12 and 13 for the Shore Intermediate Maintenance Activity Mayport will be elevated to the headquarters of Naval Surface Force, U.S. Atlantic Fleet. Section A contains summarized responses and our comments, Section B provides the status of each recommendation, and the Appendices contain the full response of the command or activity.

Section A

Findings, Recommendations, and Corrective Actions

Finding 1

Purchase Card Internal Controls

Synopsis

Department of the Navy (DON) activities did not maintain adequate internal controls over their purchase card programs as required by guidance. The Naval Supply Systems Command (NAVSUP) Instruction 4200.94 and the DON eBusiness Operations Office Instruction 4200.1A state that activities should establish specific internal controls for managing the purchase card program and identify specific internal control requirements. The breakdown in internal controls occurred because purchase card program participants did not follow DON purchase card program guidance. This results in the DON not having reasonable assurance that purchases are proper or that items purchased are protected against loss or theft. It also impairs the ability to detect and prevent improper or fraudulent purchase card use, and to safeguard vulnerable assets, and may result in inefficient use of Government resources.

Discussion of Details

Background and Pertinent Guidance

NAVSUP Instruction 4200.94 of 29 June 1999 provides guidance on policies and procedures regarding the use of the Government Commercial Purchase Card (GCPC). Specifically, it requires:

- Initial purchase card training in DON policies and procedures as well as local Internal Operating Procedures and refresher training every 2 years;
- A minimum two-way separation of functions (purchaser/receiver) when using the purchase card;
- Cardholders to retain documentation received from the vendor, for use in verifying transactions on the monthly statement;
- Cardholders and approving officials to complete the reconciliation of monthly statements in 10 days (5 days for the cardholder and 5 days for the approving official);
- Semiannual reviews of the activity purchase card program;

- The purchase card to be used to purchase supplies and services up to \$2,500 and construction up to \$2,000, and as the procurement method or method of payment for micro-purchases; and
- Cardholders not to split requirements to circumvent the micro-purchase threshold.

DON eBusiness Operations Office Instruction 4200.1A of 2 September 2003, along with the Desk Guides, provides guidance on policies regarding the use of the GCPC program. Specifically, this guidance requires:

- A two-way separation of functions (purchaser/receiver) for all purchase card transactions;
- Cardholders and approving officials to review monthly purchase card statements to ensure all charges are proper and accurate;
- Cardholders to request copies of itemized sales receipts or other sales documents supporting the purchase card transaction;
- Cardholders not to split requirements that exceed the micro-purchase threshold; and
- Program participants to complete training in DON GCPC policies and procedures as well as local Internal Operating Procedures and refresher training every 2 years.

The Federal Acquisition Regulations (FAR), subpart 2.101, sets the micro-purchase threshold at \$2,500 for the acquisition of supplies and services, except for construction.

Audit Results

We audited the purchase card program at 20 DON activities across 11 major claimants that were chosen based on dollar value, the number of transactions, and the number of cardholders. Exhibit D lists these activities. We reviewed applicable DON- and activity-level purchase card guidance. We reviewed transaction data and judgmentally selected 50 transactions from each activity (1,000 transactions in total) for the period 1 October 2001 through 31 March 2002. The areas discussed below represent internal control deficiencies found during our audit.

Independent Receipt and Acceptance

Purchase card transaction files at DON activities lacked evidence of receipt of items by an individual other than the ordering cardholder. The NAVSUP Instruction 4200.94 requires that in order to protect the integrity of the process, a minimum two-way separation of functions between the purchaser and receiver is required when using the purchase card. We reviewed transaction documentation and attempted to determine the name of the person who received the item. We then compared that name to the cardholder's name to ensure that the same person did not perform both the ordering and receiving functions. We found that 553 of the 1,000 files did not indicate that an

individual other than the cardholder had signed for receipt of the items purchased. All activities reviewed had deficiencies in this area. Exhibit E provides specific details.

Detailed Vendor Receipts

Activities did not retain detailed vendor receipts in purchase card transaction files. NAVSUP Instruction 4200.94 requires that cardholders retain any documentation received from the vendor in order to verify the accuracy of the transaction shown on the cardholder monthly statement. In our audit of documentation for 1,000 transactions, we found that 308 transaction files lacked vendor receipts that contained a description of the items purchased and the amount of the purchase. All 20 activities reviewed had deficiencies in this area. Exhibit F provides details regarding these activities.

Reconciliation

Cardholders and approving officials at DON activities did not reconcile purchase card transactions in accordance with DON guidance. According to NAVSUP Instruction 4200.94, cardholders must reconcile transactions from supporting documentation within 5 days of receipt of the monthly statement and approving officials must reconcile within 5 days of receipt from the cardholder. We reviewed transaction files to determine if transactions were reconciled within the required 5 days of receipt by cardholders and approving officials. We looked for a dated signature of the individual reconciling the monthly statement or a separate certification statement. In numerous cases, cardholders and approving officials did not date the monthly statement. We then determined if the date was within 5 days of when the individual should have received the statement. We found that 730 of the 1,000 transactions reviewed lacked evidence of timely reconciliation by the cardholder and that 542 of the 1,000 transactions reviewed lacked evidence of timely reconciliation by the approving official. We found that all 20 activities reviewed had deficiencies in this area. Exhibit G provides further details.

We reviewed the transaction files to determine if transactions were reconciled properly by cardholders and approving officials. We looked for a vendor receipt matching the transaction amount on the monthly statement and a signature to indicate reconciliation. We found that 393 of the 1,000 transactions we reviewed lacked evidence of proper cardholder reconciliation. Furthermore, 388 of the 1,000 transactions lacked evidence of proper approving official reconciliation. All 20 activities reviewed had deficiencies in this area. Exhibit H provides further details.

Training

Activities did not maintain documentation of training for purchase card program participants. The NAVSUP Instruction 4200.94 requires that program participants complete basic purchase card training before entering the program and refresher training every 2 years. In our review of training documentation, we first attempted to determine when the cardholders, approving officials, or agency program coordinators had entered

the purchase card program. We used letters of nomination, letters of delegation, contracting warrants, and Citibank setup forms to determine when the individual had entered the purchase card program and therefore when the individual should have received basic training. If the individual had entered the program before 31 March 2000, we considered the basic training requirement to be not applicable. We reviewed training certificates and sign-in sheets for training classes to determine when the individual had received basic and refresher training. If the individual had entered the program after 31 March 2000, we considered refresher training to be not applicable. In our review of training files, summarized in the table below, we found that program participants lacked evidence of basic and refresher training. We found that 18 activities had deficiencies in this area. Exhibits I and J provide specific details.

Figure 1. Results of Training File Review.

	Files Reviewed	Files Lacking Basic Training	Files Lacking Refresher Training
Cardholders	641	173	35
Approving Officials	163	77	28
Agency Program Coordinators	42	17	5

Split Purchases

Activities used the purchase card to procure requirements exceeding \$2,500 by splitting purchases to circumvent the micro-purchase threshold. The FAR sets the micro-purchase threshold at \$2,500 for the acquisition of most supplies and services. The NAVSUP Instruction 4200.94 prohibits cardholders from splitting requirements over the micro-purchase threshold into multiple purchases to stay within the threshold. We flagged transactions that appeared to be split purchases (same date, same vendor, total amount exceeding \$2,500). We looked for potential split purchases by the same cardholder and between different cardholders. We then selected purchases for further review, analyzed documentation, and interviewed personnel to determine if the purchase had actually been split. We found that sufficient documentation was not available for all purchases we attempted to review. Of the 148 judgmentally selected potential split purchases at 20 DON activities, 53 were splits. We noted that 16 of the 20 activities we reviewed had at least one split purchase. Exhibit K provides specific details.

Internal Reviews

Naval Medical Information Management Center Bethesda and 1st Dental Battalion/Naval Dental Center did not conduct semiannual reviews as required. The NAVSUP Instruction 4200.94 requires semiannual reviews of the activity purchase card program to ensure that adequate internal controls are in place. We reviewed copies of internal reviews from each of the 20 activities we visited and found that these 2 activities did not conduct the appropriate number of reviews.

Breakdown in Internal Controls

The breakdown in internal controls occurred because purchase card program participants did not follow DON purchase card program guidance. Effective internal controls are an integral part of an entity's accountability for stewardship of Government resources and the first line of defense in safeguarding assets and preventing and detecting fraud. Failure to maintain appropriate documentation and properly train purchase card program participants weakens internal controls and impedes the DON's ability to detect and prevent improper or fraudulent purchase card use and to safeguard vulnerable assets. Without effective internal controls, the DON does not have reasonable assurance that purchases are proper or that items purchased are protected against loss or theft. Furthermore, circumventing the micro-purchase limit by splitting purchases of more than \$2,500 may result in an inefficient use of Government resources.

Other Issues

One of our audit objectives was to determine if selected DON activities adequately conducted the expanded semiannual review of the GCPC Program. In April 2002, the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition (Acquisition and Business Management) required a one-time expanded semiannual review that was comprised of 15 questions covering the period 1 October 2001 through 31 March 2002. Exhibit L lists the 15 questions asked in the expanded semiannual review. We prioritized these questions and chose to review each activity's answers to 13 of them. We judgmentally selected 50 transactions at each activity; reviewed the supporting documentation, results of internal reviews, and training records; and interviewed personnel regarding processes and procedures. We found deficiencies as noted above that did not accurately reflect the activity's responses to that review. Exhibit M provides a table identifying the questions reviewed and whether a deficiency was documented in the activity's responses to the expanded semiannual review, or not documented by the activity but found during our review of each question.

Noteworthy Accomplishments

Several activities began corrective actions on these recommendations following our initial visit because of this audit, and therefore had the corrective actions completed before the release of the draft version of this report. The Military Sealift Command Pacific, Naval Air Depot North Island, and Naval Medical Information Management Center Bethesda each completed corrective actions on Recommendation 1. The Military Sealift Command Pacific, Naval Air Depot North Island, National Naval Medical Center Bethesda, and Naval Medical Information Management Center Bethesda each completed corrective actions on Recommendation 2. The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, Naval Air Depot North Island, Naval Medical Information Management Center Bethesda, and Naval Research Laboratory each completed corrective actions on Recommendation 3. The Military Sealift Command Pacific, National Naval Medical Center Bethesda, Navy Recruiting District San Diego,

and Naval Research Laboratory each completed corrective actions on Recommendation 4. The Military Sealift Command Pacific and Navy Exchange Coronado each completed corrective actions on Recommendation 5. The 1st Dental Battalion/Naval Dental Center completed corrective actions on Recommendation 6.

Recommendations and Corrective Actions

Management responses to each recommendation are summarized below, along with our comments on the responses. The complete texts of management responses are contained in the appendices.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; Naval Air Depot North Island; Naval Medical Information Management Center Bethesda; Navy Recruiting District San Diego; Naval Research Laboratory; Naval War College; Shore Intermediate Maintenance Activity Mayport; and Submarine Group Ten:

Recommendation 1. Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

- **Marine Corps response to Recommendation 1.** Concur. All agency program coordinators will be directed to review and update their Internal Operating Procedures to ensure documentation requirements are clearly stated no later than 31 January 2004. Marine Corps agency program coordinators will be provided a policy letter to be incorporated into their local Internal Operating Procedures no later than 27 February 2004. The policy letter will clarify that the approving officials should ensure proper receipts during reconciliation.
 - o **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 1.** The Bureau of Medicine and Surgery responded on behalf of this activity. Our current Internal Operating Procedures address the fact that three-way separation of duties is mandatory.
 - o **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** In subsequent correspondence, management provided an actual completion date of 31 December 2003. Actions taken satisfy the intent of the recommendation.

- **Military Sealift Command Pacific response to Recommendation 1.**
Concur. The Military Sealift Command responded on behalf of this activity. The Military Sealift Command Pacific has established receipt documentation procedures as part of the Military Sealift Command Pacific procedures. Action completed.
 - o **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken and planned satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **Naval Air Depot North Island response to Recommendation 1.**
Concur. The Naval Air Systems Command responded on behalf of this activity. A Fleet Industrial Supply Center training session for all cardholders and approving officials was conducted on 21 May 2003. Existing procedures for separation of functions (independent receipt and acceptance) were re-emphasized during the training session. This is one of the Fleet Industrial Supply Center audit points of the monthly reviews. Action completed.
 - o **Naval Audit Service comment on Naval Air Depot North Island response.** Actions taken satisfy the intent of the recommendation.
- **Naval Medical Information Management Center Bethesda response to Recommendation 1.** The Bureau of Medicine and Surgery responded on behalf of this activity. We updated our Internal Operating Procedures. In addition, we have retrained personnel and developed metrics as evidence receipt function is performed by central receiving.
 - o **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 26 March 2003.
- **Navy Recruiting District San Diego response to Recommendation 1.**
Concur. The Navy Recruiting Command responded on behalf of this activity. Our current Internal Operating Procedures, dated 10 January 2004, address proper receipt documentation for goods received by someone other than the cardholder. All cardholders were trained on proper receipt and acceptance procedures.

- o **Naval Audit Service comment on Navy Recruiting District San Diego response.** Actions taken satisfy the intent of the recommendation.
- **Naval Research Laboratory response to Recommendation 1.** Concur in part. The Naval Research Laboratory's response was submitted via the Office of Naval Research. Formal changes to the Naval Research Laboratory Purchase Card Program instructions and procedures made effective 5 January 2004 require micro-purchase cardholders to obtain the dated co-signature of another Naval Research Laboratory employee.
 - o **Naval Audit Service comment on Naval Research Laboratory response.** Actions taken satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 1.** Concur. Naval War College cardholders and approving officials now reconcile purchase card transactions in accordance with DON eBusiness Operation Office Instruction 4200.1A. Prior to this audit, the Naval War College implemented procedures to ensure all purchase card transactions were properly documented including a requirement that cardholders forward their complete monthly transaction files to the agency program coordinator for review as reflected in the most recent Internal Operating Procedures dated 1 December 2003.
 - o **Naval Audit Service comment on Naval War College response.** Actions taken satisfy the intent of the recommendation.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 1.** All material is received, recorded, and processed in the warehouse by receiving personnel. The password to the Maintenance Resource Management System has been changed to allow only receiving personnel access to the system to post all receipt documentation.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** We consider the response a concurrence in principle, because actions taken satisfy the intent of the recommendation. We consider the action complete as of the date of the response: 16 December 2003.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.
- In draft format, this recommendation was originally addressed to the National Naval Medical Center Bethesda, Naval Surface Warfare Center

Carderock, the Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, Navy Exchange Coronado, and Space and Naval Warfare Systems Center San Diego. In their respective management responses, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, these activities are no longer included as action commands for this recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; Naval Air Depot North Island; National Naval Medical Center Bethesda; Naval Medical Information Management Center Bethesda; Naval Research Laboratory; Naval War College; Navy Exchange Coronado; Shore Intermediate Maintenance Activity Mayport; and Submarine Group Ten:

Recommendation 2. Develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

- **Marine Corps response to Recommendation 2.** Concur. While many agency program coordinators use a checklist, a general checklist for the Marine Corps can be adopted. All agency program coordinators will be provided a policy letter with a list of all items required for every transaction no later than 27 February 2004.
 - **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 2.** The Bureau of Medicine and Surgery responded on behalf of this activity. Our purchase card transaction file checklist has been reviewed and updated and cardholders and approving officials will be retrained on the contents of purchase files and procedures when making credit card purchases.
 - **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 31 December 2003.
- **Military Sealift Command Pacific response to Recommendation 2.** Concur. The Military Sealift Command responded on behalf of this activity. The Military Sealift Command Pacific has established a purchase

card transaction file checklist as part of the Military Sealift Command Pacific procedures. Action completed.

- o **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **Naval Air Depot North Island response to Recommendation 2.** Concur. The Naval Air Systems Command responded on behalf of this activity. During a training session on 21 May 2003, a mandatory cardholder checklist was presented to program participants. In addition, this is an audit point conducted in Fleet Industrial Supply Center's monthly internal review. Action completed.
 - o **Naval Audit Service comment on Naval Air Depot North Island response.** Actions taken satisfy the intent of the recommendation.
- **National Naval Medical Center Bethesda response to Recommendation 2.** The Bureau of Medicine and Surgery responded on behalf of this activity. A quality assurance checklist was established. This checklist is attached to each file detailing the contents required in the file.
 - o **Naval Audit Service comment on National Naval Medical Center Bethesda response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 31 October 2003.
- **Naval Medical Information Management Center Bethesda response to Recommendation 2.** The Bureau of Medicine and Surgery responded on behalf of this activity. Checklists were developed for agency program coordinators, approving officials, and cardholders identifying documentation requirements for transaction auditing.
 - o **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** Actions taken and planned satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 7 April 2003.
- **Naval Recruiting District San Diego response to Recommendation 2.** Concur. Our current Internal Operating Procedures, dated 10 January 2004, address procedures for proper purchase card transaction files. Each cardholder maintains a binder that includes monthly

cardholder statements, purchase card logs, requisitions (request forms), and receipt documentations.

- o **Naval Audit Service comment on Naval Recruiting District San Diego response.** Actions taken satisfy the intent of the recommendation.
- **Naval Research Laboratory response to Recommendation 2.** Concur in principle. The Naval Research Laboratory's response was submitted via the Office of Naval Research. Naval Research Laboratory purchase card instructions and procedures have been modified to require cardholders to attempt and document the attempt to obtain charge slips, cash register receipts, and/or packing slips to support proof of sale. Effective 5 January 2004.
 - o **Naval Audit Service comment on Naval Research Laboratory response.** Actions taken satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 2.** Concur. The current Naval War College Government Purchase Card Internal Operating Procedures outlines the procedures to follow to ensure transaction files maintain a complete audit trail.
 - o **Naval Audit Service comment on Naval War College response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided a copy of the Internal Operating Procedures dated 1 December 2003.
- **Navy Exchange Coronado response to Recommendation 2.** Do not concur. The Navy Exchange Service Command responded on behalf of this activity. Program participants are already overburdened with the abundance of paperwork required to manage the program effectively. Navy Exchange Service Command will provide additional training on record keeping and retention no later than 30 March 2004.
 - o **Naval Audit Service comment on Navy Exchange Coronado response.** In subsequent correspondence, management revised its response, concurred with the recommendation, and indicated that a checklist is included in the Navy Exchange Service Command's training presentation that will be provided to all program participants not later than 30 March 2004. The planned corrective actions meet the intent of the recommendation.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 2.** A Purchase Card Transaction Checklist has been

developed and is currently being used by all purchase cardholders and attached to processed order.

- o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** We consider the response a concurrence in principle, because actions taken satisfy the intent of the recommendation. We consider the action complete as of the date of the response: 16 December 2003.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.
- In draft format, this recommendation was originally addressed to the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, Naval Undersea Warfare Center Newport, and Space and Naval Warfare Systems Center San Diego. In their respective management responses, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, these activities are no longer included as action commands for this recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; Naval Air Depot North Island; Naval Medical Information Management Center Bethesda; Navy Recruiting District San Diego; Naval Research Laboratory; Naval Surface Warfare Center Carderock; Naval Surface Warfare Center Dahlgren; Naval Undersea Warfare Center Newport; Naval War College; Shore Intermediate Maintenance Activity Mayport; and Submarine Group Ten:

Recommendation 3. Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

- **Marine Corps response to Recommendation 3.** Concur. All agency program coordinators will be provided a policy letter to be incorporated into their local Internal Operating Procedures no later than 27 February 2004. The policy letter will clarify that cardholders and approving officials will sign and date statements to document monthly reconciliation/certification.
 - o **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.

- **1st Dental Battalion/Naval Dental Center response to Recommendation 3.** The Bureau of Medicine and Surgery responded on behalf of this activity. Hardcopy reconciliation files will now contain cardholder and approving official signatures and dates of statement reconciliation/certification.
 - **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 30 November 2003.
- **Military Sealift Command Pacific response to Recommendation 3.** Concur. The Military Sealift Command responded on behalf of this activity. Military Sealift Command Pacific has established procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs as part of Military Sealift Command Pacific procedures. Action completed.
 - **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **Naval Air Depot North Island response to Recommendation 3.** Concur. The Naval Air Systems Command responded on behalf of this activity. During a training session on 21 May 2003, a cardholder certification statement to be submitted with the completed reconciliation statement, specifically emphasizing the date, was presented to participants. In addition, this is an audit point conducted in Fleet Industrial Supply Center's monthly internal review. Action completed.
 - **Naval Audit Service comment on Naval Air Depot North Island response.** Actions taken satisfy the intent of the recommendation.
- **Naval Medical Information Management Center Bethesda response to Recommendation 3.** The Bureau of Medicine and Surgery responded on behalf of this activity. We developed metrics to document signature and date of reconciliation by cardholder and approving official.
 - **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 16 April 2003.

- **Navy Recruiting District San Diego response to Recommendation 3.** Concur. The Navy Recruiting Command responded on behalf of this activity. Our current Internal Operating Procedures, dated 10 January 2004, address proper procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs. A revised instruction, requiring the approving official to date, as well as sign the cardholder's statement of account, will be issued by March 2004.
 - o **Naval Audit Service comment on Navy Recruiting District San Diego response.** Actions planned satisfy the intent of the recommendation.
- **Naval Research Laboratory response to Recommendation 3.** Concur in principle. The Naval Research Laboratory's response was submitted via the Office of Naval Research. Since March 2003, the contracting officer, cardholders, and approving officials have been reconciling in an automated system. System dates are now generated for all reconciliation transactions and cardholders' signatures are made on the form with date fields.
 - o **Naval Audit Service comment on Naval Research Laboratory response.** Actions taken satisfy the intent of the recommendation. The Naval Research Laboratory's response took exception to Exhibit H including transactions without a vendor receipt as being improperly reconciled. However, we had informed the Naval Research Laboratory of our criteria regarding improper reconciliation before issuance of the draft report.
- **Naval Surface Warfare Center Carderock response to Recommendation 3.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will initiate a policy letter that will standardize cardholder packages and will require cardholders to sign and date monthly statements, and for reconciliation purposes, cardholders will be required to make a check mark against reconciled transactions. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Surface Warfare Center Carderock response.** Actions planned satisfy the intent of the recommendation.
- **Naval Surface Warfare Center Dahlgren response to Recommendation 3.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will

initiate a policy letter that will standardize cardholder packages and will require cardholders to sign and date monthly statements, and for reconciliation purposes, cardholders will be required to make a check mark against reconciled transactions. Target completion date: 30 March 2004.

- o **Naval Audit Service comment on Naval Surface Warfare Center Dahlgren response.** Actions planned satisfy the intent of the recommendation.
- **Naval Undersea Warfare Center Newport response to Recommendation 3.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will initiate a policy letter that will standardize cardholder packages and will require cardholders to sign and date monthly statements, and for reconciliation purposes, cardholders will be required to make a check mark against reconciled transactions. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Undersea Warfare Center Newport response.** Actions planned satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 3.** Concur. Reconciliation of purchase card statements is processed electronically through CitiDirect by the cardholder. Once the cardholder reconciles the statement, CitiDirect provides an electronic date. CitiDirect also offers cardholders tutorial and help desk assistance as they navigate the website.
 - o **Naval Audit Service comment on Naval War College response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of the date of the response: 31 December 2003.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 3.** All purchase cardholders print their monthly statement from the Citibank online site. The cardholder reconciles the statement. Upon completion of reconciliation the cardholder signs and date electronic statement and forwards to approving official for review and approval. The approving official then reviews, signs, and dates the statement.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** We consider the response a concurrence in principle, because actions taken satisfy

the intent of the recommendation. We consider the action complete as of the date of the response: 16 December 2003.

- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.
- In draft format, this recommendation was originally addressed to the National Naval Medical Center Bethesda, Navy Exchange Coronado, and Space and Naval Warfare Systems Center San Diego. In their respective management responses, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, these activities are no longer included as action commands for this recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; Naval Air Depot North Island; National Naval Medical Center Bethesda; Naval Medical Information Management Center Bethesda; Navy Recruiting District San Diego; Naval Research Laboratory; Naval Surface Warfare Center Carderock; Naval Surface Warfare Center Dahlgren; Naval Undersea Warfare Center Newport; Navy Exchange Coronado; Shore Intermediate Maintenance Activity Mayport; and Submarine Group Ten:

Recommendation 4. Provide additional purchase card training to all purchase card program participants.

- **Marine Corps response to Recommendation 4.** Partially concur. All cardholders participated in a DON role-based training stand-down in November 2002. All purchase card personnel will take refresher training by November 2004. Headquarters Marine Corps will direct that all agency program coordinators review personnel files and ensure everyone is trained as required no later than 31 January 2004, and upon completion of the refresher training in November 2004. Agency program coordinators will provide written certification to Headquarters Marine Corps upon completion of the training review.
 - o **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 4.** The Bureau of Medicine and Surgery responded on behalf of this activity. Cardholder training files have been reviewed.

Those cardholders requiring training will be scheduled for training. Training is expected to be completed by 30 January 2004.

- o **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** Actions planned satisfy the intent of the recommendation. In subsequent correspondence, management provided an actual completion date of 4 February 2004.
- **Military Sealift Command Pacific response to Recommendation 4.** Concur. The Military Sealift Command responded on behalf of this activity. Training web sites and training CDs for all required training have been provided to all purchase card participants. For new individuals having a need for a purchase card, procedures are in place to not issue cards until all mandatory training requirements have been completed and documented. For individuals who now have purchase cards but do not complete mandatory refresher training in a timely manner, procedures are in place to suspend cards until training requirements have been completed and documented. Action completed.
 - o **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **Naval Air Depot North Island response to Recommendation 4.** Concur. The Naval Air Systems Command responded on behalf of this activity. A Fleet Industrial Supply Center training session for all cardholders and approving officials was conducted on 21 May 2003. Completed training records are maintained and incorporated into employee Individual Development Plans. This training is required for all new cardholders, authorizing officials, and program coordinators with refresher training conducted annually. Action completed.
 - o **Naval Audit Service comment on Naval Air Depot North Island response.** Actions taken satisfy the intent of the recommendation.
- **National Naval Medical Center Bethesda response to Recommendation 4.** The Bureau of Medicine and Surgery responded on behalf of this activity. Prior to activation of a card, the Acquisition Division of the Logistics Department starts a file for the cardholder and initial training certificates are placed in the folder. A spreadsheet is maintained identifying cardholders and initial training dates so that the requirement for refresher training is identified and cardholders notified to

complete the training. In addition, monthly training is offered to all cardholders.

- o **Naval Audit Service comment on National Naval Medical Center Bethesda response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management stated that training for all new and current purchase cardholders is offered the 3rd Thursday of every month. Based on training provided, the actions taken are considered complete as of the date of the response: 20 January 2004.
- **Naval Medical Information Management Center Bethesda response to Recommendation 4.** The Bureau of Medicine and Surgery responded on behalf of this activity. We will establish training schedule for Fiscal Year 2004. Training will be completed by 1 October 2004.
 - o **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** Actions planned satisfy the intent of the recommendation.
- **Navy Recruiting District San Diego response to Recommendation 4.** Concur. The Navy Recruiting Command responded on behalf of this activity. Agency program coordinator/approving official/cardholders have successfully completed the DON Purchase Card CitiDirect training course in October/November 2003 (all certificates are on file).
 - o **Naval Audit Service comment on Navy Recruiting District San Diego response.** Actions taken satisfy the intent of the recommendation.
- **Naval Research Laboratory response to Recommendation 4.** Does not concur. The Naval Research Laboratory's response was submitted via the Office of Naval Research. In September 2001, the Naval Research Laboratory conducted the required DON refresher training for all division cardholders and approving officials; contracting officer cardholders and approving officials did not participate. In September 2003, all Naval Research Laboratory Purchase Card program participants, (including contracting officers) completed the new Defense Acquisition University mandatory training.
 - o **Naval Audit Service comment on Naval Research Laboratory response.** Based on training provided in September 2003, the actions taken satisfy the intent of the recommendation. Although the Naval Research Laboratory's response states that it was "incorrect" to cite one division cardholder as not having received

training because the cardholder's purchase card was revoked, this cardholder possessed the card and had not received training during the timeframe for training covered by the audit.

- **Naval Surface Warfare Center Carderock response to Recommendation 4.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue an electronic message to Level 5 agency program coordinators requiring them to research and document each participant's program training completion dates and provide appropriate training to those participants whom are due for refresher training or those participants whose training certificate could not be found. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Surface Warfare Center Carderock response.** Actions planned satisfy the intent of the recommendation.
- **Naval Surface Warfare Center Dahlgren response to Recommendation 4.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue an electronic message to Level 5 agency program coordinators requiring them to research and document each participant's program training completion dates and provide appropriate training to those participants whom are due for refresher training or those participants whose training certificate could not be found. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Surface Warfare Center Dahlgren response.** Actions planned satisfy the intent of the recommendation.
- **Naval Undersea Warfare Center Newport response to Recommendation 4.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue an electronic message to Level 5 agency program coordinators requiring them to research and document each participant's program training completion dates and provide appropriate training to those participants whom are due for refresher training or those participants whose training certificate could not be found. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Undersea Warfare Center Newport response.** Actions planned satisfy the intent of the recommendation.

- **Navy Exchange Coronado response to Recommendation 4.** Concur. The Navy Exchange Service Command responded on behalf of this activity. The Navy Exchange Service Command is currently providing retraining to all program participants that will be completed by 30 March 2004.
 - o **Naval Audit Service comment on Navy Exchange Coronado response.** Actions planned satisfy the intent of the recommendation.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 4.** A new purchase card program instruction was created to comply with DON eBusiness Operation Office Instruction 4200.1 and all purchase card program participants were trained on the new procedures.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** We consider the response a concurrence in principle, because actions taken satisfy the intent of the recommendation. We consider the action complete as of the date of the response: 16 December 2003.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet.
- In draft format, this recommendation was originally addressed to the Naval War College and the Space and Naval Warfare Systems Center San Diego. In their respective management responses, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, these activities are no longer included as action commands for this recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; National Naval Medical Center Bethesda; Naval Medical Information Management Center Bethesda; Navy Recruiting District San Diego; Naval Research Laboratory; Naval Surface Warfare Center Carderock; Naval Surface Warfare Center Dahlgren; Naval Undersea Warfare Center Newport; Naval War College; Navy Exchange Coronado; and Shore Intermediate Maintenance Activity Mayport:

Recommendation 5. Establish procedures to track purchase card training received and to maintain purchase card training records.

- **Marine Corps response to Recommendation 5.** Concur. A number of Marine Corps agency program coordinators maintain a training database; however, a general database for the Marine Corps can be adopted. Headquarters Marine Corps will provide all agency program coordinators a standard database for use no later than 31 March 2004. Level IV agency program coordinators must certify that all subordinate personnel have completed all required training in their semiannual program review reports to the Level III agency program coordinators.
 - **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 5.** The Bureau of Medicine and Surgery responded on behalf of this activity. At the time of inspection, training files were kept in a binder. New individual credit cardholder/approving official/agency program coordinator training files have been created. A master spreadsheet will be maintained by the agency program coordinator and will be used to schedule training.
 - **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** In subsequent correspondence, management stated that training files and a master spreadsheet were created and implemented after the Naval Audit Service review. Based on actions taken, we consider this recommendation complete as of the date of the response: 20 January 2004.
- **Military Sealift Command Pacific response to Recommendation 5.** Concur. The Military Sealift Command responded on behalf of this activity. Military Sealift Command Pacific has established procedures to track purchase card training received and to maintain purchase card training as part of Military Sealift Command Pacific procedures. Action completed.
 - **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **National Naval Medical Center Bethesda response to Recommendation 5.** The Bureau of Medicine and Surgery responded on behalf of this activity. The Acquisition Division of the Logistics

Department maintains a spreadsheet of training for all cardholders. In this spreadsheet, initial training is identified and cardholders notified to complete the training. This spreadsheet was revised on 12 December 2003.

- o **Naval Audit Service comment on National Naval Medical Center Bethesda response.** Maintenance of a spreadsheet of training satisfies a portion of the recommendation. In subsequent correspondence, management stated that by March 2004 they would revise their procedures to address training file maintenance.
- **Naval Medical Information Management Center Bethesda response to Recommendation 5.** A metric was established in March 2003 to track all participant training.
 - o **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** The Bureau of Medicine and Surgery responded on behalf of this activity. Metrics established to track training satisfies a portion of the recommendation, however, the response did not address maintaining training records; therefore, we are elevating this recommendation to the Bureau of Medicine and Surgery for comment.
- **Naval Research Laboratory response to Recommendation 5.** Does not concur. The Naval Research Laboratory's response was submitted via the Office of Naval Research. The Naval Research Laboratory already has procedures in place to track purchase card training for all cardholders and approving officials. Training records are managed by the Naval Research Laboratory agency program coordinator and reviewed by her supervisor.
 - o **Naval Audit Service comment on Naval Research Laboratory response.** A lack of training records was found as a condition at the Naval Research Laboratory. In addition, local guidance did not contain procedures for maintaining training records. Therefore, we are elevating this recommendation to the Office of Naval Research for comment.
- **Naval Surface Warfare Center Carderock response to Recommendation 5.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue a policy letter mandating Level 5 agency program coordinators maintain a purchase card-training database. The database will identify by date the initial mandatory training completion and all refresher training dates as well as local training, local refresher training, and the date next

training is due. Level 5 agency program coordinators will also be reminded they are required to maintain copies of all training certifications. Target completion date: 30 March 2004.

- o **Naval Audit Service comment on Naval Surface Warfare Center Carderock response.** Actions planned satisfy the intent of the recommendation.
- **Naval Surface Warfare Center Dahlgren response to Recommendation 5.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue a policy letter mandating Level 5 agency program coordinators maintain a purchase card-training database. The database will identify by date the initial mandatory training completion and all refresher training dates as well as local training, local refresher training, and the date next training is due. Level 5 agency program coordinators will also be reminded they are required to maintain copies of all training certifications. Target completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Surface Warfare Center Dahlgren response.** Actions planned satisfy the intent of the recommendation.
- **Naval Undersea Warfare Center Newport response to Recommendation 5.** Concur. The Naval Sea Systems Command responded on behalf of this activity. Naval Sea Systems Command will issue a policy letter mandating Level 5 agency program coordinators maintain a purchase card-training database. The database will identify by date the initial mandatory training completion and all refresher training dates as well as local training, local refresher training, and the date next training is due. Level 5 agency program coordinators will also be reminded they are required to maintain copies of all training certifications. Targeted completion date: 30 March 2004.
 - o **Naval Audit Service comment on Naval Undersea Warfare Center Newport response.** Actions planned satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 5.** Concur. The Naval War College currently maintains documentation of training for purchase card program participants in accordance with DON eBusiness Operations Office Instruction 4200.1A. The Naval War College Internal Operating Procedures will be updated no later than 31 March 2004 and will include a listing of required training in accordance with DON eBusiness Operations Office Instruction 4200.1A.

- o **Naval Audit Service comment on Naval War College response.** Actions planned satisfy the intent of the recommendation.
- **Navy Exchange Coronado response to Recommendation 5.** Concur. The Navy Exchange Service Command responded on behalf of this activity. The Navy Exchange Service Command agency program coordinator retains all hard copy training records as well as maintains a database with current information. The database was created in 2003.
 - o **Naval Audit Service comment on Navy Exchange Coronado response.** In subsequent correspondence, management indicated that hard copy training records were retained starting 30 May 2003. Actions taken and planned satisfy the intent of the recommendation.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 5.** Training is tracked on a spreadsheet, and a copy of the worksheet, the cardholder's delegation of authority letter, and a copy of the training certificate are filed in the agency program coordinator's and cardholder's binders.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** We consider the response a concurrence in principle, because actions taken satisfy the intent of the recommendation. We consider the action complete as of the date of the response: 16 December 2003.
- In draft format, this recommendation was originally addressed to the Naval Recruiting District San Diego and the Space and Naval Warfare Systems Center San Diego. In their respective management responses, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, these activities are no longer included as action commands for this recommendation.

We recommended that Naval Medical Information Management Center Bethesda and 1st Dental Battalion/Naval Dental Center:

Recommendation 6. Establish procedures to document the results of semiannual purchase card reviews.

- **Naval Medical Information Management Center Bethesda response to Recommendation 6.** The Bureau of Medicine and Surgery responded on behalf of this activity. Reports were established for cardholders and

approving officials that details deficiencies found in every transaction and a date set for corrective action by cardholder. They will continue working with approving officials and cardholders to identify the cause for deficiencies and take corrective action during the reconciliation process.

- **Naval Audit Service comment on Naval Medical Information Management Center Bethesda response.** The response does not describe actions to document the results of semiannual purchase card reviews; therefore, we are elevating this response to the Bureau of Medicine and Surgery for comment.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 6.** The Bureau of Medicine and Surgery responded on behalf of this activity. The Internal Review Program and command's tickler report file will ensure no semiannual purchase card reviews are missed.
 - **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** In subsequent correspondence, management provided an actual completion date of 30 November 2003.

Finding 2

Purchase Card File Retention

Synopsis

Nine DON activities could not provide purchase card files for review. Both NAVSUP and DON eBusiness Operations Office instructions require maintenance of purchase-related records for a minimum of 3 years and financial records for 6 years and 3 months. The Financial Management Regulation requires cardholders to establish clear audit trails for credit card transactions by maintaining documentation to support each purchase. This occurred because either the cardholders who maintain their own purchase card files were no longer available, or the files were missing. We also found that files were destroyed, or provided for an investigation but unable to be located for our audit. This results in the lack of accountability over purchases, the inability to reconcile transactions, and unauditable transactions.

Discussion of Details

Background and Pertinent Guidance

NAVSUP Instruction 4200.94 of 29 June 1999, paragraph 4e3h requires that agency program coordinators, approving officials, and cardholders maintain purchase-related records (e.g. purchase card logs, requisitions, etc.) for a minimum of 3 years and financial records (e.g. invoices, statements, etc.) for 6 years and 3 months.

DON eBusiness Operations Office Instruction 4200.1A of 2 September 2003 does not address specific record retention standards; however, it requires that local Internal Operating Procedures include guidance for maintenance and retention of purchase card records. The DON Purchase Card Program Cardholder CitiDirect Desk Guide Version 2, Section II, Number 8 requires that agency program coordinators, approving officials, and cardholders maintain purchase-related records (e.g. purchase card logs, requisitions, etc.) for a minimum of 3 years and financial records (e.g. invoices, statements, etc.) for 6 years and 3 months.

The Financial Management Regulation Volume 10 Chapter 12 requires that appropriate documentation be maintained at all levels to support the integrity of the credit card program and facilitate the reconciliation and payment of credit card transactions. Cardholders are required to establish clear audit trails for credit card transactions by maintaining documentation to support each purchase (e.g., requisitions, including cross references to any related Blanket Purchase Agreements, telephone and mail order logs, receipt records, charge tickets, and credit slips).

Audit Results

We reviewed 20 activities' transactions for the period 1 October 2001 through 31 March 2002 and highlighted transactions with dollar amounts greater than \$2,500, transactions prohibited by guidance, possible splits, and questionable vendors. We judgmentally selected 50 transactions for each activity (1,000 transaction in total), from various types of transactions, from a variety of cardholders, a variety of dollar amounts, and from each month. We also requested the transaction files and discussed record retention during our visit at each activity. Exhibit N provides a table identifying the number of transactions not received.

Nine activities could not provide purchase card files for review. DON guidance requires retention of purchase related records for 3 years and financial records for 6 years and 3 months. During each activity visit, we requested 50 judgmentally selected transaction files of purchases made by that activity. These 9 activities did not provide 63 of 1,000 transactions requested and as a result, there was a lack of accountability over purchases, inability to reconcile transactions, and unauditable transactions. Exhibit N lists the activities that could not provide purchase card transaction files.

There were various reasons activities could not provide requested transaction files. Activity personnel told us that:

- Files were destroyed due to limited storage space;
- Files were provided for an investigation, but were unable to be located for our audit; and
- Cardholders maintained their own purchase card files and were either no longer available or the files were missing.

We determined that files should be available for review regardless of where they are located for the entire specified retention period.

Noteworthy Accomplishments

Several commands began corrective actions on this recommendation following our initial visit because of this audit, and therefore had the corrective actions completed before the release of the draft version of this report. The 1st Dental Battalion/Naval Dental Center, Military Sealift Command Pacific, and Naval Air Depot North Island each completed corrective actions on Recommendation 7.

Recommendations and Corrective Actions

Management responses to each recommendation are summarized below, along with our comments on the responses. The complete texts of management responses are contained in the appendices.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler]; 1st Dental Battalion/Naval Dental Center; Military Sealift Command Pacific; Naval Air Depot North Island; Naval Surface Warfare Center Carderock; and Submarine Group Ten:

Recommendation 7. Establish procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office Instruction 4200.1A.

- **Marine Corps response to Recommendation 7.** Concur. Clarification will be provided to all Marine Corps agency program coordinators. This subject will be addressed in a policy letter that will be provided to all agency program coordinators to be incorporated into their local Internal Operating Procedures no later than 27 February 2004.
 - o **Naval Audit Service comment on Marine Corps response.** Actions planned satisfy the intent of the recommendation.
- **1st Dental Battalion/Naval Dental Center response to Recommendation 7.** The Bureau of Medicine and Surgery responded on behalf of this activity. All cardholders were trained on purchase file retention standards and files have been transferred to command archives storage.
 - o **Naval Audit Service comment on 1st Dental Battalion/Naval Dental Center response.** Actions taken satisfy the intent of the recommendation. In subsequent correspondence, management provided a target completion date of 30 November 2003.
- **Military Sealift Command Pacific response to Recommendation 7.** Concur. The Military Sealift Command responded on behalf of this activity. The Military Sealift Command Pacific has established procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office Instruction 4200.1A as part of the Military Sealift Command Pacific procedures. Action completed.
 - o **Naval Audit Service comment on Military Sealift Command Pacific response.** Actions taken satisfy the intent of the recommendation. We consider the action complete as of 28 November 2003.
- **Naval Air Depot North Island response to Recommendation 7.** Concur. The Naval Air Systems Command responded on behalf of this activity. A Fleet Industrial Supply Center training session for all purchase cardholders and authorizing officials was conducted on 21 May 2003.

Record keeping was re-emphasized and a mandatory purchase cardholder checklist was presented to program participants.

- o **Naval Audit Service comment on Naval Air Depot North Island response.** Actions taken satisfy the intent of the recommendation.
- **Naval Surface Warfare Center Carderock response to Recommendation 7.** Concur. The Naval Sea Systems Command responded on behalf of this activity. The Naval Surface Warfare Center Carderock has enforced record retention and has established a procedure to scan all approving official certification packages and supporting documentation into an electronic file system maintained within the agency program coordinator's office. The Level 3 agency program coordinator will travel to the Naval Surface Warfare Center Carderock to confirm compliance with this recommendation. Actual completion date 20 January 2004.
 - o **Naval Audit Service comment on Naval Surface Warfare Center Carderock response.** Actions taken satisfy the intent of the recommendation.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet for comment.
- In draft format, this recommendation was originally addressed to the Navy Exchange Coronado. In their management response, it was disclosed that actions had taken place following the period we reviewed, but before the commencement of the audit or site visit. As a result, this activity is no longer included as an action command for this recommendation.

Finding 3

Purchase Card Guidance for Nonappropriated Fund Activities

Synopsis

Three DON activities lacked adequate internal controls over independent receipt and acceptance, proper and timely reconciliation, detailed vendor receipts, training, split purchases, and record retention as required by DON guidance. This occurred in part because purchase card guidance did not specifically address nonappropriated fund activities participating in the GCPC program and nonappropriated funds procurement guidance did not address internal controls for the purchase card program. Inadequate internal controls diminish an activity's ability to prevent and detect improper use of the purchase card and increase the risk associated with the purchase card program.

Discussion of Details

Background and Pertinent Guidance

NAVSUP Instruction 4200.94 provides DON guidance on policies and procedures regarding the use of the GCPC. This instruction applies to all DON activities participating in the GCPC program. It provides specific guidance on establishing and managing GCPC programs to ashore and afloat appropriated fund activities. The instruction states that activities should develop written Internal Operating Procedures for the use of the purchase card. All procedures must be within the scope of the terms and conditions of the General Services Administration contract and must comply with all the procedures for and restrictions on the use of the card. The instruction specifically requires that:

- A minimum two-way separation of functions (purchaser/receiver) exist when using the purchase card;
- Cardholders and approving officials complete the reconciliation of monthly statements in 10 days (5 days for the cardholder and 5 days for the approving official);
- Cardholders retain any documentation received from the vendor for use in verifying statement transactions;
- Cardholders not split requirements to circumvent the micro-purchase threshold;
- Purchase-related records (e.g. purchase logs, requisitions, etc.) be maintained for a minimum of 3 years and financial records maintained for 6 years and 3 months; and
- Initial purchase card training in DON policies and procedures is conducted as well as local Internal Operating Procedures and refresher training every 2 years.

DON eBusiness Operation Office Instruction 4200.1 of 19 September 2002 provided guidance on policies regarding the use of the GCPC program. The instruction applied to all DON activities using the purchase card and states that activities establishing local purchase card programs should develop Internal Operating Procedures to manage the program. The instruction specifically required:

- A two-way separation of functions for all purchase card transactions; one person making the purchase and a separate person receiving;
- Cardholders and approving officials to review the monthly purchase card statement to ensure that all charges are proper and accurate;
- Cardholders to request copies of itemized sales receipts or other sales documents supporting the purchase card transaction;
- Cardholders not to split requirements that exceed the micro-purchase threshold; and
- Successful completion of DON GCPC policies and procedures training, as well as local Internal Operating Procedures and refresher training every 2 years.

The DON eBusiness Operations Office Instruction 4200.1A, of 2 September 2003, supercedes 4200.1 and includes all of the requirements noted above. The instruction applies to all DON activities using the purchase card and provides references for both appropriated and nonappropriated funds. Furthermore, it states that the DON eBusiness Operations Office is currently working with the nonappropriated fund activities in developing nonappropriated funds specific purchase card policy and training and once developed, will be issued in a separate and distinct purchase card policy specifically tailored to nonappropriated fund activities.

The DON Purchase Card Program Cardholder CitiDirect Desk Guide Version 2, Section II, Number 8 requires that agency program coordinators, approving officials, and cardholders maintain purchase related records (e.g. purchase logs, requisitions, etc) for a minimum of 3 years and financial records for 6 years and 3 months.

Secretary of the Navy Instruction 7043.5B established nonappropriated funds procurement policy within DON. The instruction applies to all DON activities procuring with nonappropriated funds. Paragraph (D) of the instruction's policy section requires nonappropriated fund activities to use the Government-wide purchase card or other commercial credit card for non-resale items and services procured with nonappropriated funds when appropriate and cost effective.

Department of Defense (DoD) Directive 4105.67 established policy and assigned responsibilities for procurements using nonappropriated funds and authorized DoD nonappropriated funds instrumentalities to enter into contracts and agreements with other Federal agencies and instrumentalities. Paragraph 4.8 of the instruction requires nonappropriated fund instrumentalities to use the Government-wide purchase card or other commercial credit card for non-resale items and services procured with nonappropriated funds when appropriate and cost effective.

Audit Results

We audited 20 DON activity purchase card programs for the period 1 October 2001 through 31 March 2002. Three of these purchase card programs were at nonappropriated fund activities. We found inadequacies with the purchase card program at all three nonappropriated fund activities audited.

Navy Exchange Coronado, Marine Corps Community Services Camp Butler, and Marine Corps Community Services Camp Pendleton purchase card programs did not have adequate internal controls. Guidance states that DON activities participating in the GCPC program should develop Internal Operating Procedures for using the purchase card.

We audited 50 judgmentally selected transactions at each of the nonappropriated fund activities and found deficiencies in the following areas:

- Independent receipt and acceptance;
- Proper and timely reconciliation;
- Detailed vendor receipts;
- Split purchases; and
- Record retention.

In addition, our audit of the training records disclosed individuals lacked documented evidence of training. These deficiencies diminish the activity's ability to prevent and detect improper use of the purchase card and increase the risks associated with the purchase card program.

This occurred in part because DON purchase card guidance did not specifically address nonappropriated fund activities participating in the GCPC program and nonappropriated fund procurement guidance did not address internal controls for the purchase card program. We found that command and local guidance was incomplete, outdated, or nonexistent. We reviewed DoD, Navy, Marine Corps, and local guidance. We discussed this guidance with the DON eBusiness Operations Office, command, and activity level personnel. We determined that internal controls apply to all activities participating in the DON GCPC program.

Other Issues

Findings 1 and 2 include recommendations that address some of the issues identified in this finding. Therefore, we are not making those recommendations in this finding.

Recommendations and Corrective Actions

Management responses to each recommendation are summarized below, along with our comments on the responses. The complete texts of management responses are contained in the appendices.

We recommended that the DON eBusiness Operations Office:

Recommendation 8. Establish guidance for nonappropriated fund activities participating in the GCPC program.

- **DON eBusiness Operations Office response to Recommendation 8.** Concur. The DON eBusiness Operations Office concurs that guidance be established for nonappropriated fund activities participating in the GCPC program. The DON eBusiness Operations Office will issue a separate and distinct purchase card policy specifically tailored for nonappropriated fund activities. The DON eBusiness Operations Office is currently with the NAF activities in developing nonappropriated fund specific purchase card policy and training, the DON eBusiness Operations Office expects to have the policy signed out in January 2004.
 - o **Naval Audit Service comment on DON eBusiness Operations Office response.** In subsequent correspondence, management provided a revised target completion date of 29 February 2004. Planned corrective actions satisfy the intent of the recommendation.

We recommended that the Navy Exchange Coronado and staff of the Commandant of the Marine Corps [Marine Corps Community Services Camp Pendleton]:

Recommendation 9. Develop local purchase card guidance to comply with DON purchase card guidance.

Management response to Recommendation 9:

- **Navy Exchange Coronado response to Recommendation 9.** Do not concur. The Navy Exchange Service Command responded on behalf of this activity. Individual Navy Exchanges are not allowed to develop individual GCPC guidelines. However, they must follow central policy guidelines, which have already been established by Navy Exchange Service Command headquarters since February 1999.
 - o **Naval Audit Service comment on Navy Exchange Coronado response.** The Navy Exchange Service Command responded for Navy Exchange Coronado, on 23 January 2004, and cited a Navy

Exchange Service Command requirement for uniform purchase card guidance throughout the Navy Exchange Service Command. As a result, we will defer to Navy Exchange Service Command management and accept the response as satisfying the intent of the recommendation.

- **Marine Corps response to Recommendation 9.** Concur. Differences between nonappropriated funds procurement policy and the DON eBusiness Operations Office Instruction 4200.1A have been identified to the DON eBusiness Operations Office. The DON eBusiness Operations Office is currently working with the DON nonappropriated fund activities to develop a comprehensive instruction to meet their unique situation. Upon completion of the DON nonappropriated fund purchase card policy, Headquarters Marine Corps (MR) will update guidance to Marine Corps Community Service nonappropriated fund activities and plans to participate in the tailoring of purchase card desk guides and training to meet nonappropriated fund specific needs.
 - **Naval Audit Service comment on Marine Corps response.** In subsequent correspondence, management stated that once updated guidance is published, the Marine Corps plans to take corrective action and provided a target completion date of 30 November 2004. Planned corrective actions satisfy the intent of the recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Marine Corps Community Services Camp Butler]:

Recommendation 10. Update local purchase card procedures to comply with DON purchase card guidance.

- **Marine Corps response to Recommendation 10.** Concur. Differences between nonappropriated funds procurement policy and the DON eBusiness Operations Office Instruction 4200.1A have been identified to the DON eBusiness Operations Office. The DON eBusiness Operations Office is currently working with the DON nonappropriated fund activities to develop a comprehensive instruction to meet their unique situation. Upon completion of the DON nonappropriated fund purchase card policy, Headquarters Marine Corps (MR) will update guidance to Marine Corps Community Service nonappropriated fund activities and plans to participate in the tailoring of purchase card desk guides and training to meet nonappropriated fund specific needs.
 - **Naval Audit Service comment on Marine Corps response.** In subsequent correspondence, management stated that once updated

guidance is published, the Marine Corps plans to take corrective action and provided a target completion date of 30 November 2004. Planned corrective actions satisfy the intent of the recommendation.

We recommended that the staff of the Commandant of the Marine Corps [Headquarters Marine Corps]:

Recommendation 11. Update command level purchase card guidance to comply with DON purchase card guidance.

- **Marine Corps response to Recommendation 11.** Concur. Headquarters Marine Corps will work with Marine Corps activities to review and update their local Internal Operating Procedures. Headquarters Marine Corps will identify any weaknesses and direct corrections no later than 31 March 2004. Headquarters Marine Corps has reviewed Internal Operating Procedures during seven Level IV program reviews conducted since November 2002, and the remaining Level IV agency program coordinator Internal Operating Procedures will be reviewed no later than 30 November 2004. Existing DON purchase card guidance does not apply to nonappropriated funds; however, the Marine Corps recognizes the need for increased internal controls. Marine Corps Community Service nonappropriated funds are participating in a joint effort, along with two other DON nonappropriated fund entities, with the DON eBusiness Operations Office to draft nonappropriated funds specific purchase card policy. Upon release of the nonappropriated funds policy, Headquarters Marine Corps will update guidance to Marine Corps Community Service nonappropriated funds activities and plans to participate in the tailoring of purchase card desk guides and training to meet nonappropriated funds specific needs.
 - o **Naval Audit Service comment on Marine Corps response.** Planned corrective actions satisfy the intent of the recommendation. Target completion date: 30 November 2004.

Finding 4

Purchase Card as an Assessable Unit

Synopsis

Seven DON activities did not list the purchase card program as an assessable unit. Secretary of the Navy (SECNAV) Instruction 5200.35D requires that all DON commands/activities establish a Management Control Program (MCP) and maintain a list of assessable units. This occurred because activities misinterpreted guidance or did not have their own list of assessable units. Additionally, we found that although a list of assessable units was maintained at the base level, the purchase card program was not listed. This could result in activities not having adequate assurance that effective management controls are in place.

Discussion of Details

Background and Pertinent Guidance

DoD Instruction 5010.40 of 28 August 1996 requires each DoD component to develop an MCP, and to establish and maintain an inventory of assessable units. It defines a management control plan as a brief, written plan (updated as necessary) that indicates the identity of DoD component assessable units. The instruction also defines risk as the probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources or cause an agency to fail to accomplish significant mission objectives through fraud, error, or mismanagement.

SECNAV Instruction 5200.35D requires commanders/managers reasonably ensure that:

- Laws and regulations are followed;
- Assets are safeguarded against waste, loss, and mismanagement;
- Programs achieve their intended results;
- Resources are used consistently with the DON's mission; and
- Reliable and timely information is obtained, maintained, reported, and used for decisionmaking.

The instruction defines a management control plan as a brief, written plan (updated annually) that includes a list of assessable units. The instruction also defines risk as the probable or potential adverse effects from inadequate management controls that may result in the loss of resources or cause an activity to fail to accomplish significant mission objectives through fraud, error, or mismanagement. Furthermore, all DON commands/activities are required to establish an MCP and establish and annually maintain an inventory of assessable units, segmented along organizational, functional and/or program lines.

Assistant Secretary of the Navy for Financial Management and Comptroller memo of 19 August 2002 reemphasized that the SECNAV Instruction 5200.35D is the policy for the DON MCP and that an inventory of assessable units is required.

Audit Results

We requested copies of the MCP from 20 DON activities across 11 different major claimants. We reviewed the documents they provided, paying specific attention to whether each activity had a list of assessable units and if the purchase card program was identified on that list. We interviewed the appropriate individuals at these activities.

Seven out of 20 DON activities did not list the purchase program as an assessable unit. Guidance requires that all DON commands/activities develop an MCP that includes an inventory of assessable units. Assistant Secretary of the Navy for Financial Management and Comptroller memo of 19 August 2002 reemphasized that SECNAV Instruction 5200.35D is the policy for the DON MCP and that an inventory of assessable units is required. We requested the MCP and list of assessable units from each activity to determine if the purchase card program was listed as an assessable unit. We found that four activities did not have a list of assessable units and three activities were included on a base level list of assessable units, however the purchase card program was not listed. This could result in activities not having adequate assurance that they had effective management controls in place. Furthermore, this could also result in programs not achieving their intended results; resources not being used consistently with the agencies' mission; and assets not being safeguarded from waste, fraud, and mismanagement. Exhibit O provides specific details.

We interviewed individuals associated with the MCP. We found that activities misinterpreted guidance or did not have their own list of assessable units. We also found instances where a list of assessable units was maintained at the base level, however the purchase card program was not listed. Guidance requires that all DON activities develop an MCP that includes a list of assessable units. The purchase card program is inherently high risk and therefore should be included on the list of assessable units.

Recommendations and Corrective Actions

Management responses to each recommendation are summarized below, along with our comments on the responses. The complete texts of management responses are contained in the appendices.

We recommend that the Staff of the Commandant of the Marine Corps [Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler]; Naval War College; Shore Intermediate Maintenance Activity Mayport; Submarine Group Ten; and Navy Recruiting District San Diego:

Recommendation 12. Include the purchase card on the Management Control Program list of assessable units.

- **Marine Corps response to Recommendation 12.** Concur. The Commandant of the Marine Corps reports, and will continue to report the commercial purchase card and the travel credit card, as part of the Marine Corps Annual Management Control Program Compliance Statement under the assessable unit identified as “Debt Management.” The Deputy Commandant for Installations and Logistics, the Commercial Credit Card Program Manager, specifically identifies the Government Wide Commercial Purchase Card Program as an assessable unit. The Commander Marine Forces, Pacific includes the Commercial Credit Card Program (Credit Card Program) as an assessable unit in the command’s Management Control compliance statement for 2003. This also applies to all subordinate commands including Camp Pendleton, the Regional Contracting Office Far East, and the Marine Corps Community Services Camp Butler. The Commercial Credit Card Program has been reported as having a material internal control weakness in the Fiscal Year 2002 and 2003 Management Control Program Report provided to Assistant Secretary of the Navy for Financial Management and Comptroller.
 - o **Naval Audit Service comment on Marine Corps response.** In subsequent correspondence, management stated that the activities would take steps to ensure the purchase card program is included on the list of assessable units for the Fiscal Year 2004 submission to Marine Forces Pacific and provided a target completion date of 30 October 2004. Planned corrective actions satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 12.** Concur. The Naval War College purchase card program has been, and remains an assessable unit within the MCP. Consistent with policy directives, the Naval War College has assigned and instituted organizational responsibilities to provide continuous management oversight.
 - o **Naval Audit Service comment on Naval War College response.** Although the Naval War College response indicates that the purchase card program was an assessable unit in the Management Control Program, it was not listed as such. In subsequent communication, management agreed to add it the list of assessable units and provided a target completion date of 31 March 2004. Planned corrective actions satisfy the intent of the recommendation.

- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 12.** Do not concur. Fleet Industrial Supply Center Norfolk Detachment Charleston, Procurement Division conducts a Procurement Management Review of Shore Intermediate Maintenance Activity Mayport's GCPC program annually. Navy Acquisition Procedures Supplement 5201.691-2(b) provides that each head of a contracting activity is responsible for the oversight and review of their subordinate contracting organization, Navy Acquisition Procedures Supplement 5201-691-2(f)(2) requires that by 30 December of each year, heads of contracting activities must provide to the Assistant Secretary of the Navy for Research, Development, and Acquisition (Acquisition and Business Management) a summary of relevant findings from the result of previous fiscal years Procurement Performance Management Assessment Program.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport response.** The response mentions several reviews of the purchase card program, however the response does not meet the intent of the recommendation; therefore, the recommendation will be elevated to the headquarters of Naval Surface Force, U.S. Atlantic Fleet for comment.
- **Navy Recruiting District San Diego response to Recommendation 12.** Concur. The Navy Recruiting Command responded on behalf of this activity. In the past, the MCP has been handled at the Headquarters level, with the purchase card as an established assessable unit. However, based on the recommendation of this report, a formal list of assessable units will be required at the District Level. The target date when a formal list of assessable units will be required at the district level is July 2004.
 - o **Naval Audit Service comment on Navy Recruiting District San Diego response.** Planned corrective actions satisfy the intent of the recommendation.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet.

Recommendation 13. Reemphasize MCP requirements.

- **Marine Corps response to Recommendation 13.** Concur. The Commandant of the Marine Corps annually issues a message to field commands and a route sheet to Headquarters Marine Corps Staff that reiterates Internal Management Control requirements and provides guidance in accordance with Marine Corps Order 5200.24C.

Headquarters Marine Corps also provides on-site Management Control Training on a requested basis.

- o **Naval Audit Service comment on Marine Corps response.** In subsequent correspondence, management stated that although guidance for the 2004 Annual Statement of Assurance has not been published, the Marine Corps message and route sheet are released in the May/June timeframe and provided a target completion date of 30 June 2004. Planned corrective actions satisfy the intent of the recommendation.
- **Naval War College response to Recommendation 13.** Concur. Final revisions to the Naval War College's MCP to address all affected policy changes will be made by 31 March 2004. The Naval War College has also instituted several steps to further delineate management control responsibilities, including establishment of a Resource Board comprised of senior managers from all areas of concern, to reinforce control and authority for all asset allocations.
 - o **Naval Audit Service comment on Naval War College response.** Planned corrective actions taken satisfy the intent of the recommendation.
- **Shore Intermediate Maintenance Activity Mayport response to Recommendation 13.** Shore Intermediate Maintenance Activity Mayport's MCP consists of the annual Procurement Management Review by Fleet Industrial Supply Center Norfolk Detachment Charleston, the semiannual purchase card program review, and the approving official and agency program coordinator monthly audit of the cardholders files.
 - o **Naval Audit Service comment on Shore Intermediate Maintenance Activity Mayport.** The response identifies good controls for managing the purchase card program; however, the response does not meet the intent of the recommendation; therefore, this recommendation is being elevated to the headquarters of Naval Surface Force, U.S. Atlantic Fleet for comment.
- **Navy Recruiting District San Diego response to Recommendation 13.** Concur. The Navy Recruiting Command responded on behalf of this activity. The MCP is an integral part of Navy Recruiting Command evaluation processes. However, renewed emphasis will be placed at the District Level. The re-emphasis efforts include attendance by the MCP coordinator at the Navy Inspector General Symposium in January 2004, completion of a management control instruction, and training provided at

the next Commander Navy Recruiting Command Commanding Officers Conference in April 2004.

- o **Naval Audit Service comment on Navy Recruiting District San Diego response.** Planned corrective actions satisfy the intent of the recommendation.
- We did not receive management responses from Submarine Group Ten; therefore, the recommendation will be elevated to the headquarters of Submarine Force, U.S. Atlantic Fleet.

Section B

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS							MONETARY BENEFITS (In \$000s)				
Find- ing ¹	Rec. No.	Page no.	Subject	Status ²	Action command	Target completion date	Cate- gory ³	Claimed amount	Agreed to	Not agreed to	Appro- priation ⁴
1	1	8	Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]	02/27/04					
				C	1 st Dental Battalion/Naval Dental Center	12/31/03					
				C	Military Sealift Command Pacific	11/28/03					
				C	Naval Air Depot North Island	05/21/03					
				C	Naval Medical Information Management Center Bethesda	03/26/03					
				C	Navy Recruiting District San Diego	01/10/04					
				C	Naval Research Laboratory	01/05/04					
				C	Naval War College	12/01/03					
				C	Shore Intermediate Maintenance Activity Mayport	12/16/03					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					
1	2	11	Develop a purchase card transaction file checklist to maintain complete and auditable transaction files	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]	02/27/04					
				C	1 st Dental Battalion/Naval Dental Center	12/31/03					
				C	Military Sealift Command Pacific	11/28/03					
				C	Naval Air Depot North Island	05/21/03					
				C	National Naval Medical Center Bethesda	10/31/03					
				C	Naval Medical Information Management Center Bethesda	04/07/03					
				C	Navy Recruiting District San Diego	01/10/04					
				C	Naval Research Laboratory	01/05/04					
				C	Naval War College	12/01/03					
				O	Navy Exchange Coronado	03/30/04					
				C	Shore Intermediate Maintenance Activity Mayport	12/16/03					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					

1/ + = Indicates repeat finding

2/ O = Recommendation is open; C = Recommendation is closed with all action completed; U = Recommendation is undecided

3/ A = One-time potential funds put to better use; B = Recurring potential funds put to better use for up to 6 years; C = Indeterminable/immeasurable

4/ = Includes appropriation (and subhead if known)

RECOMMENDATIONS							MONETARY BENEFITS (In \$000s)				
Find- ing ¹	Rec. No.	Page no.	Subject	Status ²	Action command	Target completion date	Cate- gory ³	Claimed amount	Agreed to	Not agreed to	Appro- priation ⁴
1	3	14	Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]	02/27/04					
				C	1 st Dental Battalion/Naval Dental Center	11/30/03					
				C	Military Sealift Command Pacific	11/28/03					
				C	Naval Air Depot North Island	05/21/03					
				C	Naval Medical Information Management Center Bethesda	04/16/03					
				O	Navy Recruiting District San Diego	03/31/04					
				C	Naval Research Laboratory	03/31/03					
				O	Naval Surface Warfare Center Carderock	03/30/04					
				O	Naval Surface Warfare Center Dahlgren	03/30/04					
				O	Naval Undersea Warfare Center Newport	03/30/04					
				C	Naval War College	12/31/03					
				C	Shore Intermediate Maintenance Activity Mayport	12/16/03					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					
1	4	18	Provide additional purchase card training to all purchase card program participants	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]	11/30/04					
				C	1 st Dental Battalion/Naval Dental Center	02/04/04					
				C	Military Sealift Command Pacific	11/28/03					
				C	Naval Air Depot North Island	05/21/03					
				C	National Naval Medical Center Bethesda	01/20/04					
				O	Naval Medical Information Management Center Bethesda	10/01/04					
				C	Navy Recruiting District San Diego	11/30/03					
				C	Naval Research Laboratory	09/30/03					
				O	Naval Surface Warfare Center Carderock	03/30/04					
				O	Naval Surface Warfare Center Dahlgren	03/30/04					
				O	Naval Undersea Warfare Center Newport	03/30/04					
				O	Navy Exchange Coronado	03/30/04					
				C	Shore Intermediate Maintenance Activity Mayport	12/16/03					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					

1/ + = Indicates repeat finding

2/ O = Recommendation is open; C = Recommendation is closed with all action completed; U = Recommendation is undecided

3/ A = One-time potential funds put to better use; B = Recurring potential funds put to better use for up to 6 years; C = Indeterminable/immeasurable

4/ = Includes appropriation (and subhead if known)

RECOMMENDATIONS							MONETARY BENEFITS (In \$000s)				
Find- ing ¹	Rec. No.	Page no.	Subject	Status ²	Action command	Target completion date	Cate- gory ³	Claimed amount	Agreed to	Not agreed to	Appro- priation ⁴
1	5	23	Establish procedures to track purchase card training received and to maintain purchase card training records	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler]	03/31/04					
				C	1 st Dental Battalion/Naval Dental Center	01/20/04					
				C	Military Sealift Command Pacific	11/28/03					
				O	National Naval Medical Center Bethesda	03/31/04					
				U	Bureau of Medicine and Surgery	03/27/04					
				U	Office of Naval Research	03/27/04					
				O	Naval Surface Warfare Center Carderock	03/30/04					
				O	Naval Surface Warfare Center Dahlgren	03/30/04					
				O	Naval Undersea Warfare Center Newport	03/30/04					
				O	Naval War College	03/31/04					
				C	Navy Exchange Coronado	05/30/03					
				C	Shore Intermediate Maintenance Activity Mayport	12/16/03					
1	6	26	Establish procedures to document the results of semiannual purchase card reviews	U	Bureau of Medicine and Surgery	03/27/04					
				C	1 st Dental Battalion/Naval Dental Center	11/30/03					
2	7	30	Establish procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office Instruction 4200.1A	O	Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler]	02/27/04					
				C	1 st Dental Battalion/Naval Dental Center	11/30/03					
				C	Military Sealift Command Pacific	11/28/03					
				C	Naval Air Depot North Island	05/21/03					
				C	Naval Surface Warfare Center Carderock	01/20/04					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					
3	8	35	Establish guidance for nonappropriated fund activities participating in the GCPC program	O	Department of the Navy eBusiness Operations Office	02/29/04					
3	9	35	Develop local purchase card guidance to comply with DON purchase card guidance	O	Marine Corps [Marine Corps Community Services Camp Pendleton]	11/30/04					
				C	Navy Exchange Coronado	01/23/04					
3	10	36	Update local purchase card procedures to comply with DON purchase card guidance	O	Marine Corps [Marine Corps Community Services Camp Butler]	11/30/04					

1/ + = Indicates repeat finding

2/ O = Recommendation is open; C = Recommendation is closed with all action completed; U = Recommendation is undecided

3/ A = One-time potential funds put to better use; B = Recurring potential funds put to better use for up to 6 years; C = Indeterminable/immeasurable

4/ = Includes appropriation (and subhead if known)

RECOMMENDATIONS							MONETARY BENEFITS (In \$000s)				
Find- ing ¹	Rec. No.	Page no.	Subject	Status ²	Action command	Target completion date	Cate- gory ³	Claimed amount	Agreed to	Not agreed to	Appro- priation ⁴
3	11	37	Update command level purchase card guidance to comply with DON purchase card guidance	O	Marine Corps [Headquarters Marine Corps]	11/30/04					
4	12	40	Include the purchase card on the Management Control Program list of assessable units	O	Marine Corps [Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler]	10/30/04					
				O	Naval War College	03/31/04					
				U	Naval Surface Force, U.S. Atlantic Fleet	03/27/04					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					
				O	Navy Recruiting District San Diego	07/31/04					
4	13	41	Reemphasize MCP requirements	O	Marine Corps [Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler]	06/30/04					
				O	Naval War College	03/31/04					
				U	Naval Surface Force, U.S. Atlantic Fleet	03/27/04					
				U	Submarine Force, U.S. Atlantic Fleet	03/27/04					
				O	Navy Recruiting District San Diego	04/30/04					

1/ + = Indicates repeat finding

2/ O = Recommendation is open; C = Recommendation is closed with all action completed; U = Recommendation is undecided

3/ A = One-time potential funds put to better use; B = Recurring potential funds put to better use for up to 6 years; C = Indeterminable/immeasurable

4/ = Includes appropriation (and subhead if known)

Exhibit A

Objectives

The audit objectives were to:

- Determine if selected Department of the Navy activities adequately conducted the expanded semiannual review of the Government Commercial Purchase Card Program; and
- Assess internal controls and compliance with laws and regulations.

Exhibit B

Background

In 1982, Executive Order 12352, “Procurement Reform,” was issued. Its main objectives were to streamline small purchase methods, minimize paperwork, reduce Imprest Fund transactions, streamline payment processes, and simplify the administrative effort associated with traditional and emergent purchase of supplies and services.

Governmental agencies were ordered to establish programs to reduce administrative costs and other burdens as well as take into account the need to eliminate unnecessary agency procurement regulations, paperwork, reporting requirements, solicitation provisions, contract clauses, certifications, and other administrative procedures. The response was to create a purchase card program.

On 29 November 1989, the General Services Administration established the U.S. Government’s Purchase Card Program, and on 6 July 1998, the Department of the Navy (DON) awarded a task order to Citibank to provide DON with their purchase card services. The goal of the DON Purchase Card Program “is to provide an automated card management, reconciliation, and payment tool, and to streamline purchase and payment systems for DON.” Because of this task order, “Citibank purchase cards became the DON’s primary means of procuring goods and services for dollar values under the micro-purchase limit.”

The Naval Supply Systems Command Instruction 4200.94 of 29 June 1999 was the governing instruction for the DON Purchase Card Program. This instruction requires that the purchase card be used to buy and/or pay for all requirements under the micro-purchase threshold: for supplies and services up to \$2,500 and for construction up to \$2,000. The instruction also requires that the purchase card be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold. Effective 28 January 2002, Navy Purchase Card Program management responsibilities were transferred from the Naval Supply Systems Command to the DON eBusiness Operations Office. This office issued 4200.1 on 19 September 2002 and 4200.1A on 2 September 2003.

In April 2002, the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition (Acquisition and Business Management) required a one-time expanded semiannual review covering the period 1 October 2001 through 31 March 2002. All DON activities utilizing the purchase card were required to complete an audit of their purchase card program to confirm the adequacy of procedures and controls. The agency program coordinators’ (APCs’) next two levels of management were required to verify the report before submissions to the major claimant APC. This was to include a 100 percent transaction review accomplished using the Dynamic Reporting Tool provided via CitiDirect and, at a minimum, was to specifically address 15 questions (Exhibit L).

Exhibit C

Scope and Methodology

We audited the purchase card program at 20 Department of the Navy activities across 11 major claimants for the transactions that occurred from 1 October 2001 through 31 March 2002. Exhibit D lists these activities. We began the audit on 12 December 2002 and completed fieldwork on 1 December 2003. In conducting the audit, we reviewed compliance with regulations, interviewed personnel at the activities listed in Exhibit P, and evaluated internal controls.

For each activity, we obtained ad-hoc transaction reports that included transactions from 1 October 2001 through 31 March 2002. We reviewed these ad-hoc reports and highlighted the transactions that met the following conditions:

- Dollar amounts higher than \$2,500
- Transactions prohibited by local Internal Operating Procedures
- Transactions prohibited by the Naval Supply Systems Command Instruction 4200.94
- Possible splits
- Questionable merchant category codes and vendors

As part of the expanded semiannual review, activities were required to complete a 100 percent transaction review to specifically address 15 questions listed in Exhibit L. We judgmentally selected 50 transactions from each activity that met the above conditions for further review. We selected transactions from each month in the review period, from a variety of cardholders, and including low and high dollar amounts. We reviewed purchase card files for the 50 judgmentally selected transactions at each activity. We also reviewed agency program coordinator, approving official, and cardholder training records, management controls for adequacy in preventing or detecting potentially fraudulent/improper/abusive purchase card transactions, results of internal reviews, and Procurement Performance Management Assessment Program information.

We reviewed the Management Control Program and/or list of assessable units for each activity. We found that the purchase card was identified as an assessable unit for 13 of the 20 activities we audited.

We reviewed reports of previously conducted audits and considered them when conducting this audit. However, we did not perform followup.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

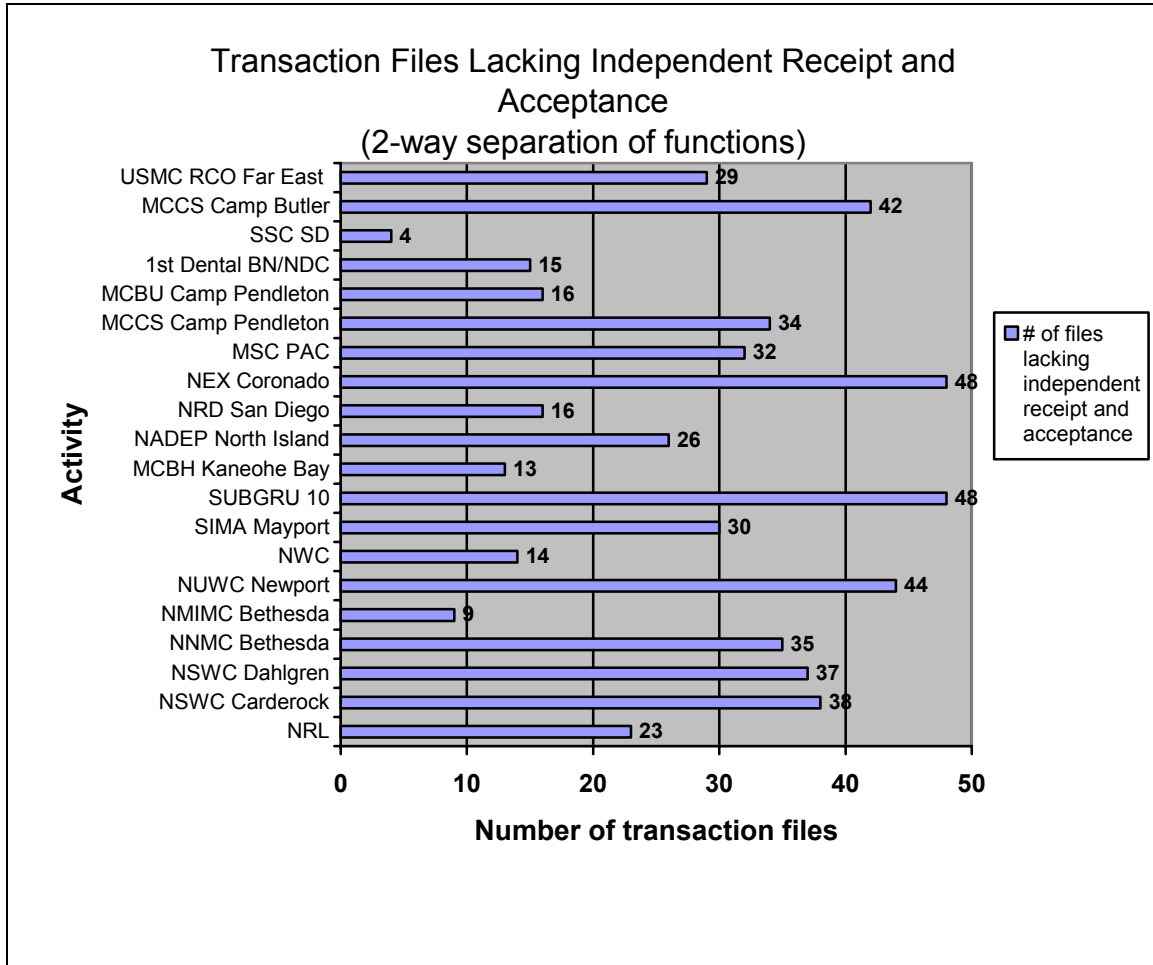
Exhibit D

Purchase Card Activities Audited

1. Naval Research Laboratory, Washington, DC
2. Naval Surface Warfare Center Carderock Division, Carderock, MD
3. Naval Surface Warfare Center Dahlgren Division, Dahlgren, VA
4. National Naval Medical Center, Bethesda, MD
5. Naval Medical Information Management Center, Bethesda, MD
6. Naval Undersea Warfare Center Newport Division, Newport, RI
7. Naval War College, Newport, RI
8. Shore Intermediate Maintenance Activity Mayport, FL
9. Submarine Group Ten, Kings Bay, GA
10. Marine Corps Base Hawaii Kaneohe Bay, Kaneohe Bay, HI
11. Naval Air Depot North Island, San Diego, CA
12. Navy Recruiting District San Diego, CA
13. Navy Exchange Coronado, San Diego, CA
14. Military Sealift Command Pacific, San Diego, CA
15. Marine Corps Community Services Camp Pendleton, CA
16. Marine Corps Base Units Camp Pendleton, CA
17. 1st Dental Battalion/Naval Dental Center, Camp Pendleton, CA
18. Space and Naval Warfare Systems Center San Diego, CA
19. Marine Corps Community Services Camp Butler, Okinawa
20. Regional Contracting Office Far East, Camp Butler, Okinawa

Exhibit E

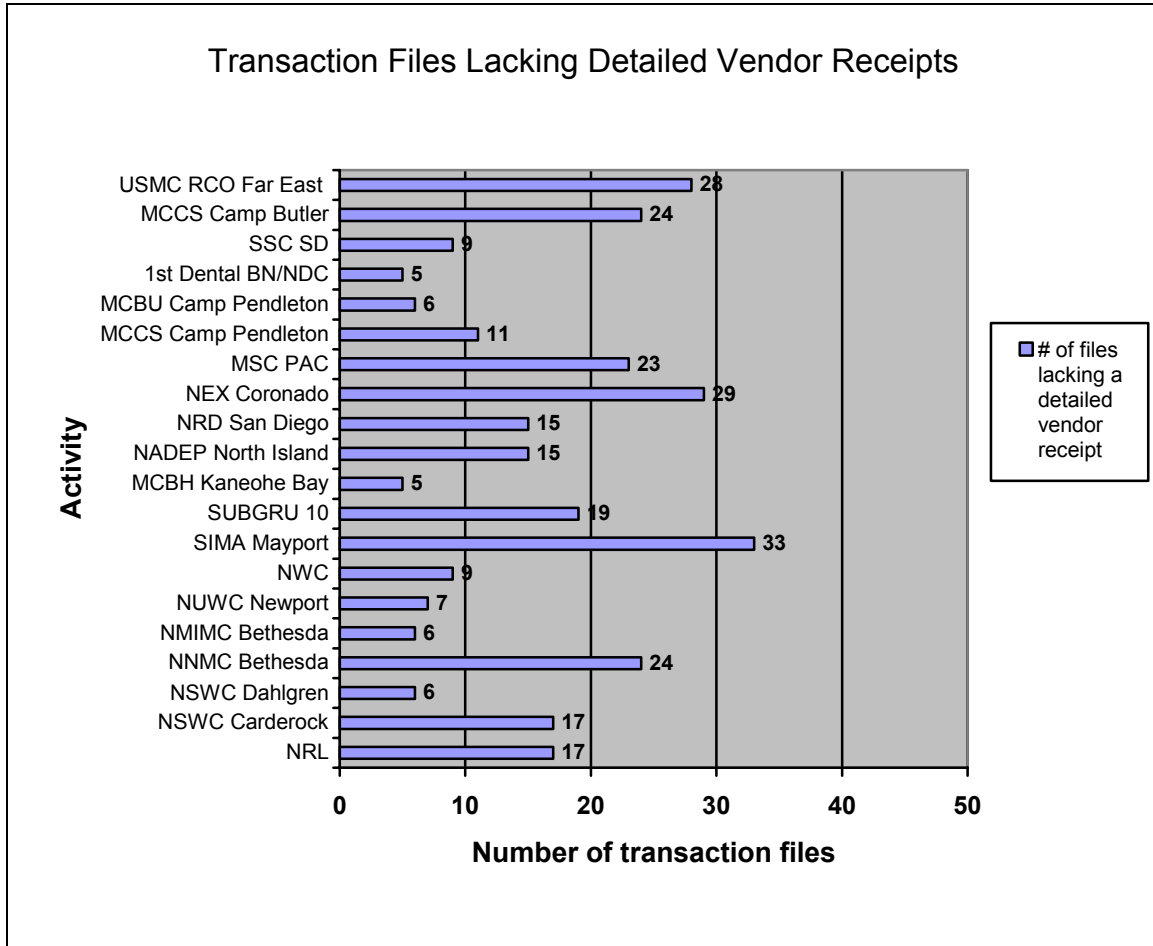
Independent Receipt and Acceptance



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit F

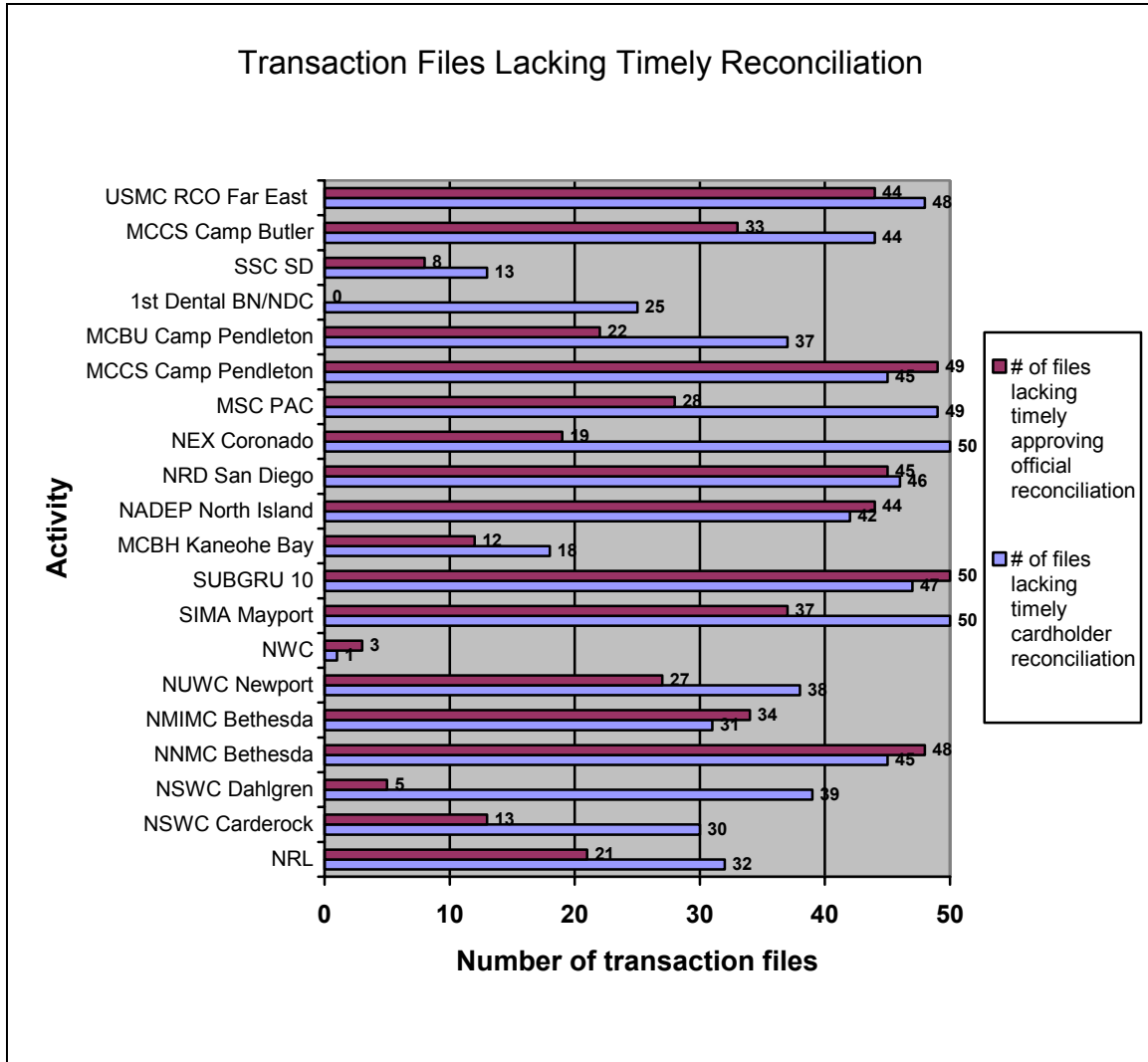
Detailed Vendor Receipts



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit G

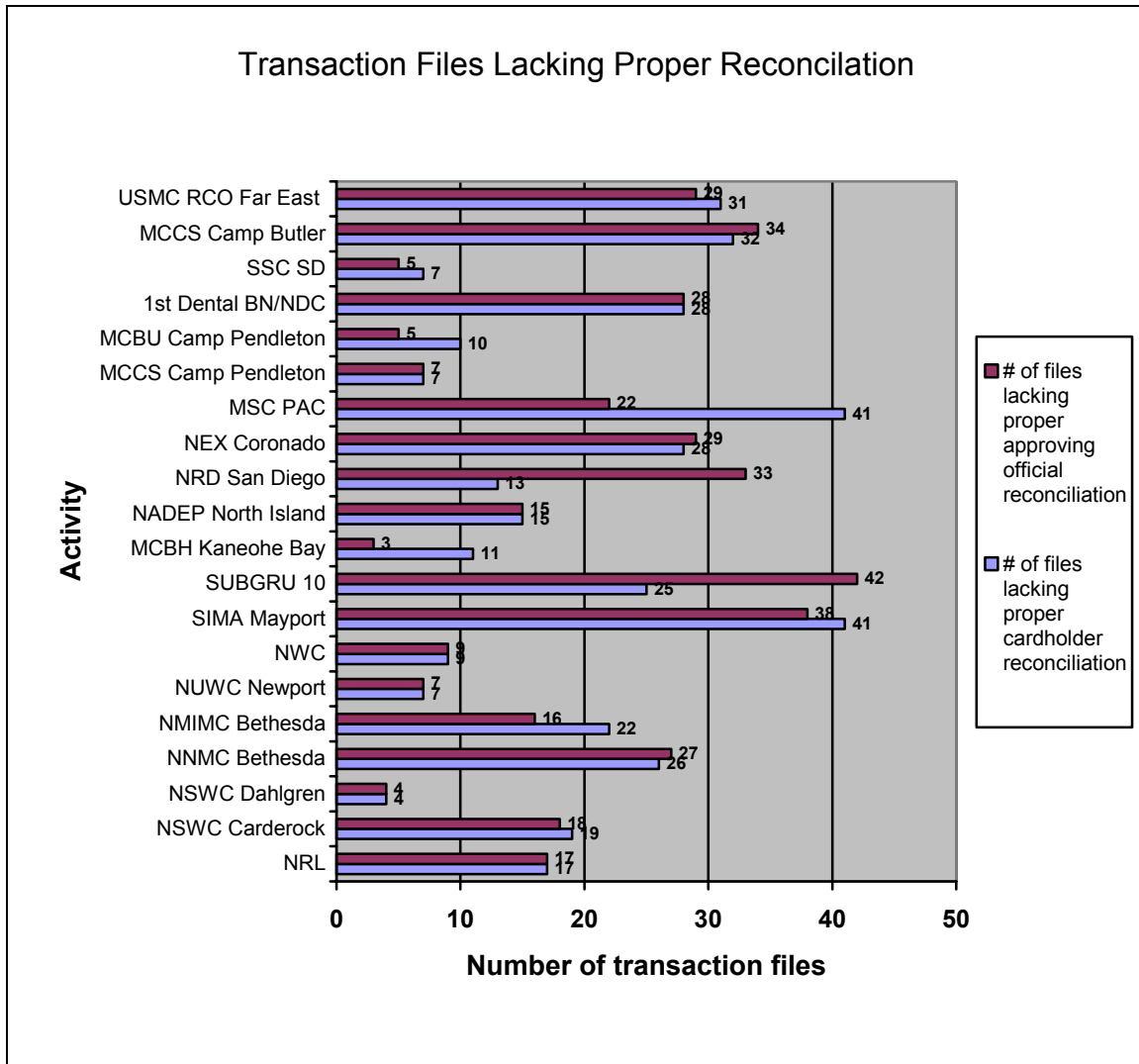
Timely Reconciliation



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit H

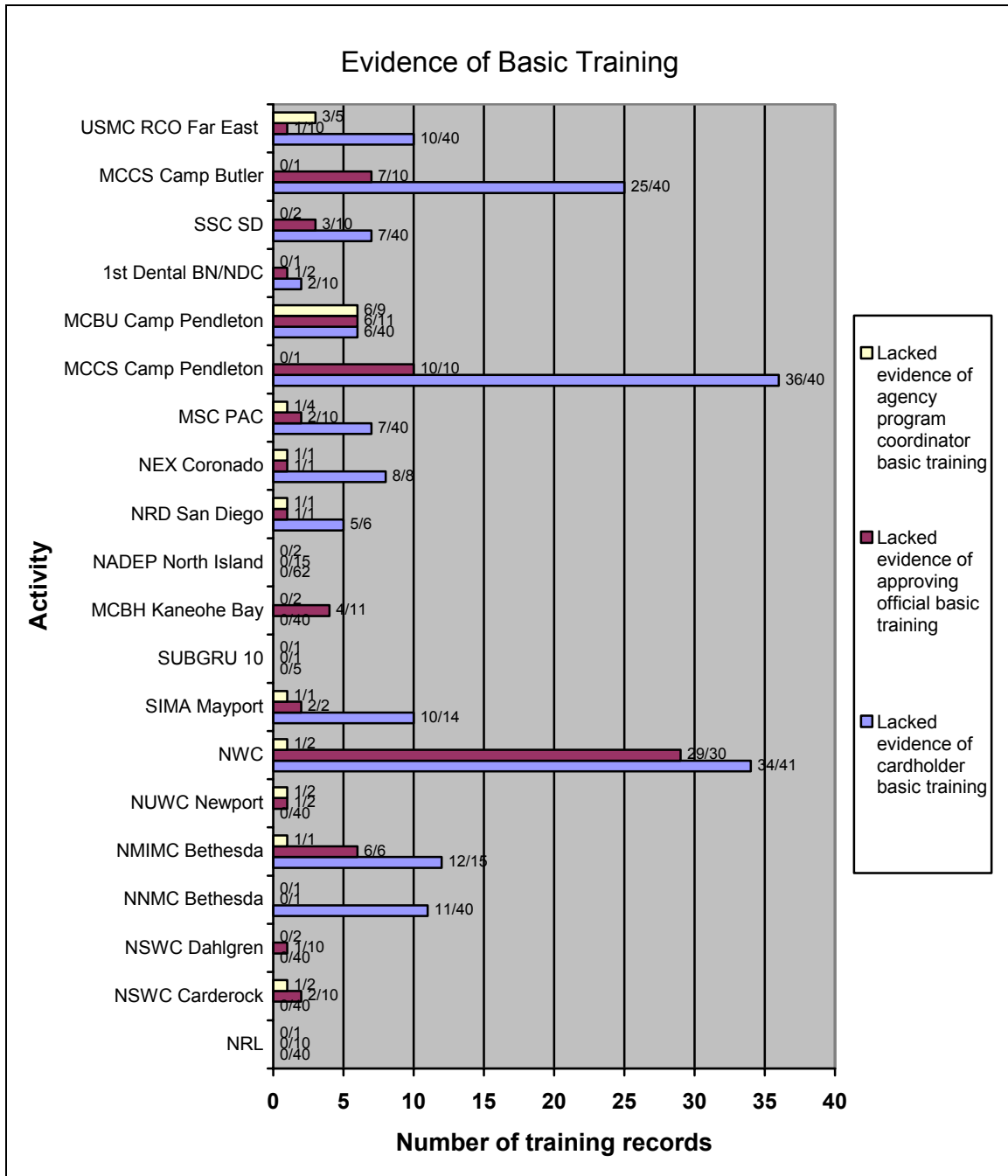
Proper Reconciliation



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit I

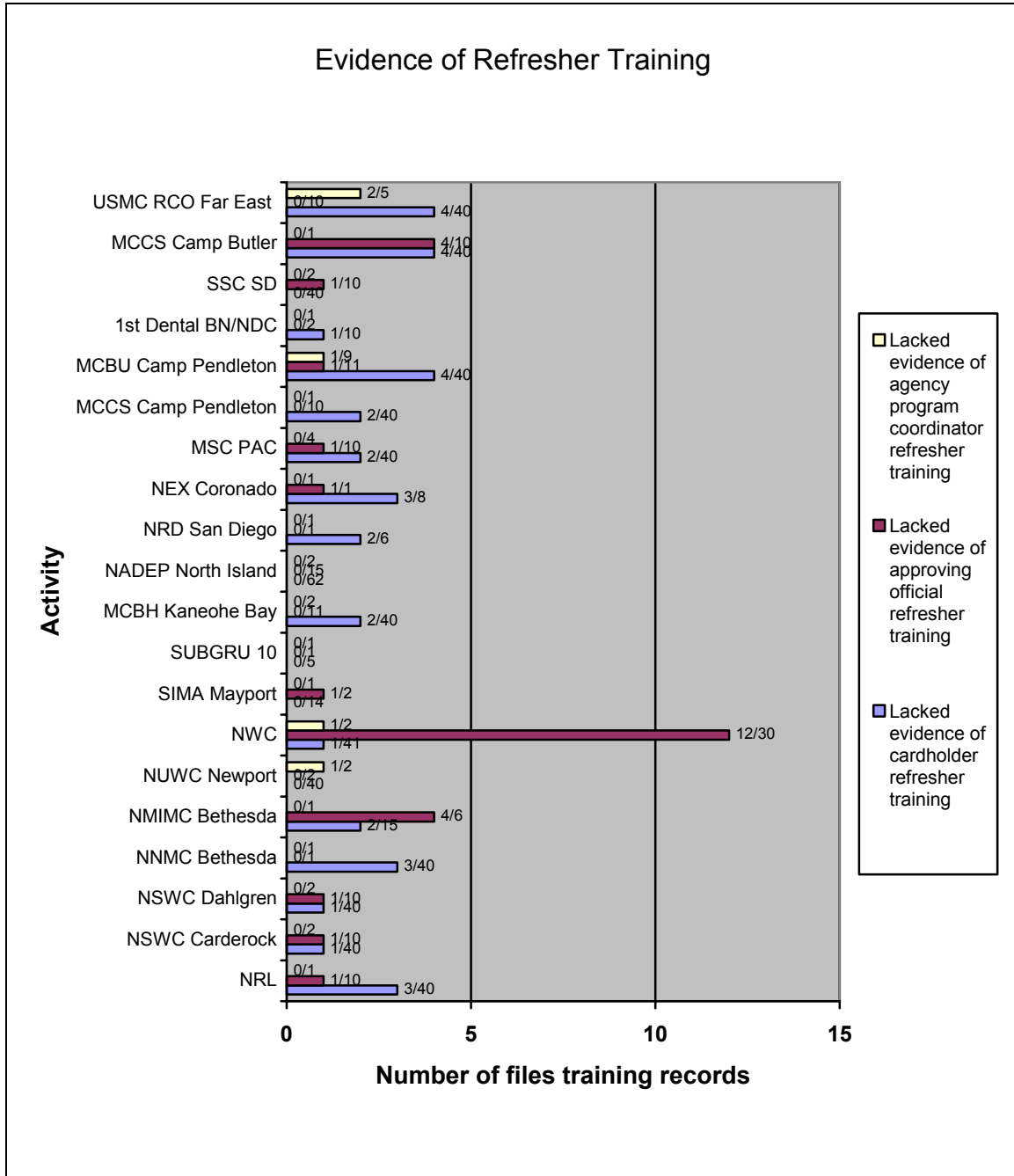
Basic Training



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit J

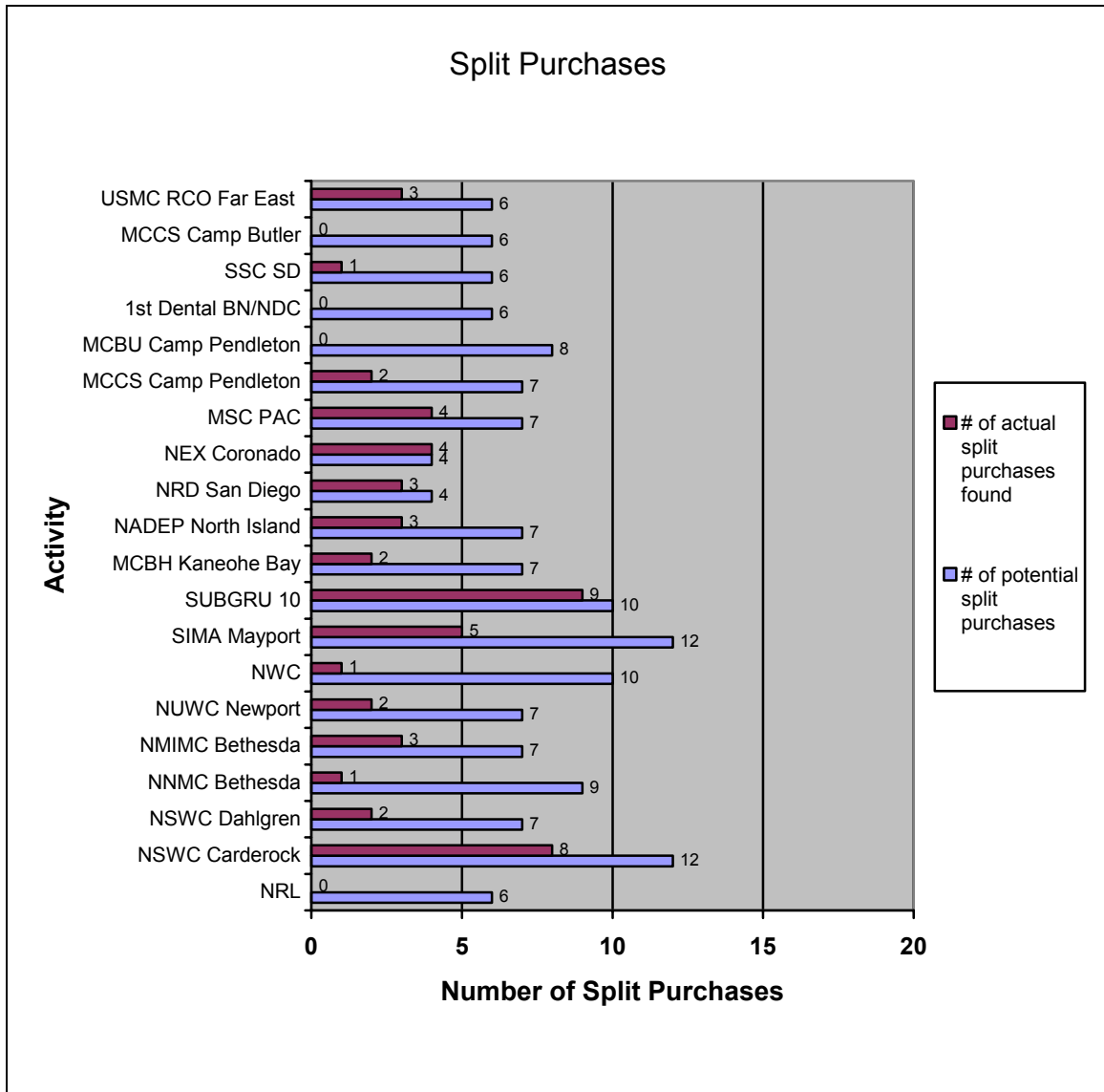
Refresher Training



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit K

Split Purchases



BN/NDC	Battalion/Naval Dental Center	NRL	Naval Research Laboratory
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCBU	Marine Corps Base Units	NUWC	Naval Undersea Warfare Center
MCCS	Marine Corps Community Services	NWC	Naval War College
MSC PAC	Military Sealift Command Pacific	RCO	Regional Contracting Office
NADEP	Naval Air Depot	SIMA	Shore Intermediate Maintenance Activity
NEX	Navy Exchange	SSC SD	Space and Naval Warfare Systems Center San Diego
NMIMC	Naval Medical Information Management Center	SUBGRU	Submarine Group
NNMC	National Naval Medical Center	USMC	U.S. Marine Corps
NRD	Navy Recruiting District		

Exhibit L

Expanded Semiannual Review Questions

- A. That the span of control for each approving official (AO) is less than seven purchase cardholders. **Reporting requirement:** *Certify that span of control for all activity AOs is within tolerance.*
- B. Total number of cardholders (CH), AOs, and agency program coordinators (APC). Also, certify that the number of purchase card/billing accounts reflects the activity's minimum requirement to accomplish its mission. **Reporting requirement:** *Report total number of CHs, AOs, and APCs and certify numbers reflect minimum requirement.*
- C. Review specific credit limits and credit history to ensure that credit limits are consistent with mission requirements. **Reporting requirement:** *Certify that credit limits are set at minimum level needed to accomplish mission requirements.*
- D. That all CHs, AOs, APCs have received required training in accordance with Department of Defense (DoD) and Department of the Navy (DON) policy and procedures, and that the training is properly documented. **Reporting requirement:** *Report number of CHs, AOs, and APCs who have completed and documented training.*
- E. That any CH or AO who has not completed the required basic or refresher training has had their account immediately suspended, and that controls are in place to ensure that these accounts are not reinstated until the next two higher levels of management have verified that the required training has been completed. **Reporting requirement:** *Certify that any CH, AO, or APC who has not completed required training has had account suspended and provide documented evidence of completion as directed in paragraph e to the DON purchase card program office prior to reinstatement of account.*
- F. That there is a proper separation of the ordering, purchasing, and receipt functions. **Reporting requirement:** *Certify that the process has been reviewed and proper separation of function is occurring.*
- G. That there is documented evidence of independent receipt and acceptance of all goods and services. **Reporting requirement:** *Certify that the process has been reviewed and is in compliance.*
- H. Verify that copies of vendor receipts detailing items purchased exist to substantiate all purchases. **Reporting requirement:** *Certify that the process has been reviewed and is in compliance.*

- I. That there is documented evidence of proper and timely certification of monthly purchase card statements by purchase cardholders and certifying officers. **Reporting requirement:** *Certify that process has been reviewed and is in compliance.*
- J. That an effective process is used to identify any potentially fraudulent/improper/abusive purchase card transactions. **Reporting requirement:** *certify that a process is in place and being utilized on an ongoing basis. Describe the process.*
- K. That appropriate administrative and disciplinary actions are being taken when fraudulent/improper/abusive purchase card transactions are found. **Reporting requirement:** *Certify that appropriate administrative and disciplinary actions are being taken when warranted. Report all actions taken.*
- L. That the results of internal reviews are being adequately documented and that corrective actions required by these reviews is being monitored to ensure that they are effectively implemented. **Reporting requirement:** *Certify that process is in place and is in compliance.*
- M. That purchases are not being made that exceed the purchase card threshold of \$2,500. **Reporting requirement:** *Report number of incidences that have occurred and actions taken in response to each occurrence.*
- N. That purchases are not being split between multiple transactions to circumvent the purchase card threshold. **Reporting requirement:** *Report number of incidences that have occurred and actions taken.*
- O. That material being purchased is indeed required to fulfill bona fide mission requirements. **Reporting requirement:** *Report number of incidences that have occurred and actions taken.*

Exhibit M

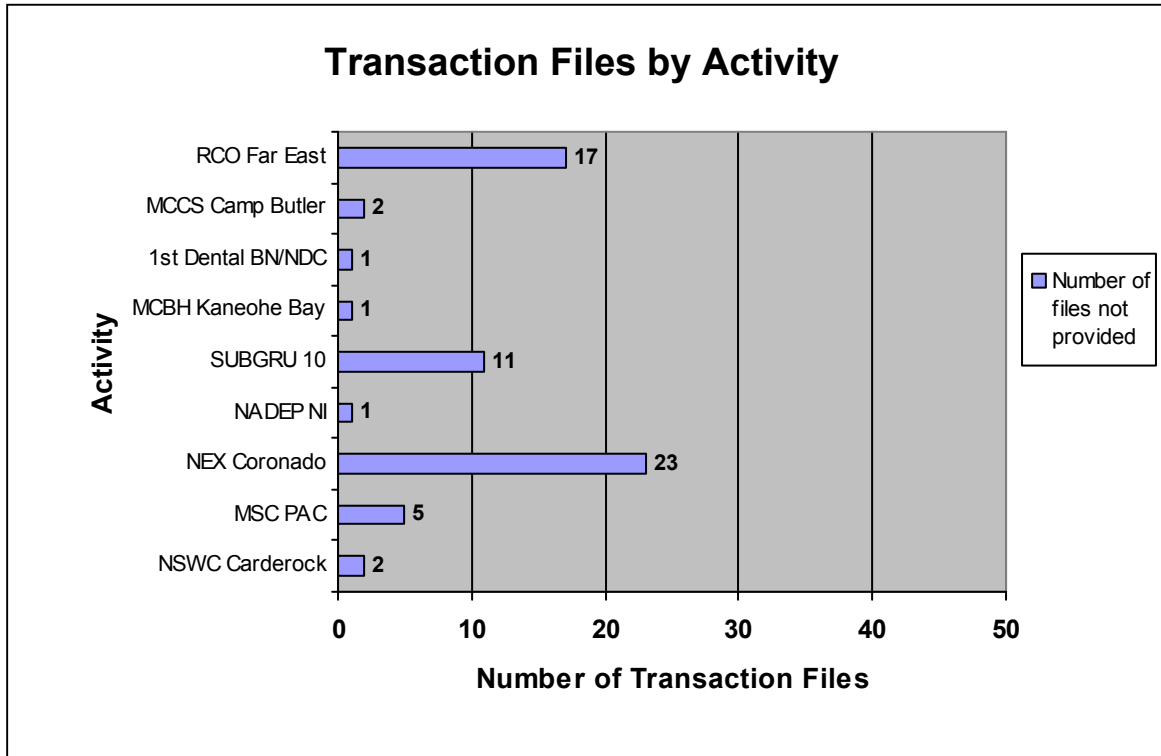
Activities' Responses to Expanded Semiannual Review

Activity	Expanded Semiannual Review Questions												
	A	D	E	F	G	H	I	J	K	L	M	N	O
Naval Research Laboratory		2	2	2	2	2	2						
Naval Surface Warfare Center Carderock		2	1, 2	2	1, 2	1, 2	1, 2				1	1, 2	1
Naval Surface Warfare Center Dahlgren		2	2	1, 2	1, 2	2	2					1, 2	
National Naval Medical Center Bethesda	2	2	1, 2	2	2	2	2					2	
Naval Medical Information Management Center		2	2	1, 2	2	2	2	2	2	2		2	
Naval War College		2	2	1, 2	1, 2	2	2					1, 2	
Naval Undersea Warfare Center Newport	1, 2	2	2	2	2	1, 2	1, 2					2	1
Shore Intermediate Maintenance Activity Mayport	2	2	2	2	2	2	2					2	
Submarine Group Ten	2			2	2	2	2	2				2	
Marine Corps Base Hawaii Kaneohe Bay	2	2	2	2	2	2	2					1, 2	
Naval Air Depot North Island	2			2	2	2	2					1, 2	
Navy Recruiting District San Diego		2	2	2	2	2	2					2	
Navy Exchange Coronado	2	2	2	2	2	2	2					1, 2	
Military Sealift Command Pacific	2	2	2	2	2	1, 2	2					1, 2	
Marine Corps Community Services Camp Pendleton	2	2	2	2	2	2	2					1, 2	
Marine Corps Base Units Camp Pendleton	2	2	2	2	1, 2	1, 2	1, 2					1	
1 st Dental Battalion/Naval Dental Center	2	2	2	2	2	2	2			1, 2	1, 2	1	
Space and Naval Warfare Systems Center San Diego	2	2	2	2	1, 2	1, 2	2					1, 2	1
Marine Corps Community Services Camp Butler	2	2	2	2	2	2	2				1	1	
Regional Contracting Office Far East	2	2	2	2	2	2	2					2	

- 1) Activity identified deficiency
- 2) Naval Audit Service identified deficiency

Exhibit N

Number of Transactions Files Not Provided



BN/NDC	Battalion/Naval Dental Center	NEX	Navy Exchange
MCBH	Marine Corps Base Hawaii	NSWC	Naval Surface Warfare Center
MCCS	Marine Corps Community Services	RCO	Regional Contracting Office
MSC PAC	Military Sealift Command Pacific	SUBGRU	Submarine Group
NADEP NI	Naval Air Depot North Island		

Exhibit O

Purchase Card as an Assessable Unit

Activity	Activity List of Assessable Units	Purchase Card Listed
Naval Research Laboratory	Yes	Yes
Naval Surface Warfare Center Carderock	Yes	Yes
Naval Surface Warfare Center Dahlgren	Yes	Yes
National Naval Medical Center Bethesda	Yes	Yes
Naval Medical Information Management Center	Yes	Yes
Naval War College	No	No
Naval Undersea Warfare Center Newport	Yes	Yes
Shore Intermediate Maintenance Activity Mayport	No	No
Submarine Group Ten	No	No
Marine Corps Base Hawaii Kaneohe Bay	Yes	Yes
Naval Air Depot North Island	Yes	Yes
Navy Recruiting District San Diego	No	No
Navy Exchange Coronado	Yes	Yes
Military Sealift Command Pacific	Yes	Yes
Marine Corps Community Services Camp Pendleton	Yes	Yes
Marine Corps Base Units Camp Pendleton	No*	No
1 st Dental Battalion/Naval Dental Center	Yes	Yes
Space and Naval Warfare Systems Center San Diego	Yes	Yes
Marine Corps Community Services Camp Butler	No*	No
Regional Contracting Office Far East	No*	No

* Assessable units identified at base level, however the purchase card program was not listed.

Exhibit P

Activities Visited or Contacted

Assistant Secretary of the Navy for Research, Development, and Acquisition,
Arlington, VA
Department of Defense Inspector General, Arlington, VA
Department of the Navy eBusiness Operations Office, Mechanicsburg, PA
Marine Corps Headquarters, Quantico, VA
Marine Corps Base Camp Pendleton, Camp Pendleton, CA
Marine Corps Base Camp Butler, Camp Butler, Okinawa
Office of the Commander, U.S. Atlantic Fleet, Norfolk, VA
Space and Naval Warfare Systems Command, San Diego, CA
Naval Sea Systems Command, Washington, DC
Bureau of Medicine and Surgery, Washington, DC
Military Sealift Command Headquarters, Washington, DC
Naval Air Systems Command, Patuxent River, MD
Navy Recruiting Command, Millington, TN
Naval Air Station, Pensacola, FL
Chief of Naval Education and Training, Pensacola, FL
Space and Naval Warfare Systems Center, San Diego, CA
Naval War College, Newport, RI
Naval Undersea Warfare Center Newport Division, Newport, RI
Navy Recruiting District San Diego, CA
Military Sealift Command Pacific, San Diego, CA
Naval Air Depot North Island, San Diego, CA
Navy Exchange Coronado, San Diego, CA
Submarine Group Ten, Kings Bay, GA
Shore Intermediate Maintenance Activity Mayport, FL
Marine Corps Base Hawaii Kaneohe Bay, Kaneohe Bay, HI
1st Dental Battalion/Naval Dental Center, Camp Pendleton, CA
Marine Corps Community Services Camp Pendleton, CA
Marine Corps Base Units Camp Pendleton, CA
Naval Research Laboratory, Washington, DC
Naval Surface Warfare Center Dahlgren Division, Dahlgren, VA
Naval Surface Warfare Center Carderock Division, Carderock, MD
National Naval Medical Center, Bethesda, MD
Naval Medical Information Management Center, Bethesda, MD
Marine Corps Community Services Camp Butler, Okinawa
Regional Contracting Office Far East, Camp Butler, Okinawa
Naval Criminal Investigative Service, Washington, DC



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:
7500/03-0023
RFR-50
21 Jan 04

From: Commandant of the Marine Corps
To: Assistant Auditor General Financial Management and
Comptroller Audits

Subj: NAS DRAFT AUDIT REPORT - GOVERNMENT COMMERCIAL PURCHASE
CARD PROGRAM AT SELECTED ACTIVITIES (REPORT N2003-0023)

Ref: (a) NAS memo 7547/2003-0023 of 1 Dec 03

1. The reference transmitted the subject draft report requesting Marine Corps comments. The following comments are provided:

a. General Marine Corps corrective actions provided below encompass the purchase card program at all Marine Corps appropriated fund activities, not just those identified in the audit.

b. It should be noted that the directives cited in the report pertain to appropriated fund activities. HQMC(MR) issues the existing nonappropriated fund purchase card policy that applies to MCCA NAF purchase card programs. Differences between Non Appropriated Funds procurement policy and the EBUSOPSINST 4200.1A have been identified to the eBusiness Operations Office. The eBusiness Operations Office is currently working with DoN NAF activities to develop a comprehensive instruction to meet their unique situations. Upon completion of the DoN NAF purchase card policy, HQMC(MR) will update guidance to MCCA NAF activities and plans to participate in the tailoring of purchase card desk guides and training to meet NAF specific needs.

2. The following comments are provided on the report recommendations:

a. Recommendation 1. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler] establish procedures for receipt documentation of goods received by someone other than the purchase cardholder."

Management Response
from the Marine Corps

Subj: NAS DRAFT AUDIT REPORT - GOVERNMENT COMMERCIAL PURCHASE
CARD PROGRAM AT SELECTED ACTIVITIES (REPORT N2003-0023)

(1) The Marine Corps concurs in the recommendation.

(2) While many Marine Corps Level IV APCs have current Internal Operating Procedures (IOPs) that include documentation requirements, several must update local instructions. All APCs will be directed to review their IOPs and update to ensure documentation requirements are clearly stated no later than 31 January 2004. Marine Corps APCs will be provided a policy letter to be incorporated into their local IOPs no later than 27 February 2004. The policy letter will clarify that Approving Officials (AOs) should ensure proper receipts during reconciliation. This area is reviewed through the statistical sampling conducted during the semi-annual review process.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** The receiver and the cardholder signature are required on the MCBH Purchase Card Request Form when someone other than the cardholder receives goods. Training has been provided to all cardholders and the Agency Program Coordinator (APC) monitors to ensure the two-way signature requirement is being adhered to during monthly reviews.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** RCOSW instructs approving officials (AO's) and cardholders at initial and refresher GCPC training classes to obtain signed certification from individuals who receive gear that was purchased with the GPC. Cardholders are instructed that this certification is required to complete the purchase card transaction.

(c) **Camp Butler, Regional Contracting Office (RCO) Far East - Concur.** IOP and desktop guide address this subject. RCO, in an ongoing effort, will continue to review receipt procedures for compliance and will monitor through audits, monthly transactions and semi-annual program reviews.

(d) **MCCS Camp Butler - Concur.** MCCS issued Standing Operating Procedures (SOP) 12-02, Government-wide Commercial Purchase Card Program, on 31 July 2003 addressing segregation of duties, shipping procedures, and receipt and acceptance procedures.

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CARD PROGRAM AT SELECTED ACTIVITIES (REPORT N2003-0023)

b. Recommendation 2. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler] develop a purchase card transaction file checklist to maintain complete and auditable transaction files."

(1) The Marine Corps concurs in the recommendation.

(2) While many APCs use a checklist, a general checklist for the Marine Corps can be adopted. All APCs will be provided a policy letter with a list of all items required for every GCPC transaction no later than 27 February 2004. All documentation requirements are reviewed during the statistical sampling conducted during the semiannual review process.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** A checklist to assist the AO in reviewing all cardholder transactions and documentation has been drafted. The checklist contains questions to remind the AO of proper documentation required, signature and receipt processes. The APC will verify the AO's monthly reconciliation checklist during the random monthly transaction reviews. The PAC has updated the current Semi-Annual review checklist to verify the auditable transactions are properly maintained and filed. Implementation will be complete by 31 March 2004.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** RCOSW instructs all GCPC billet holders on the requirement to maintain accurate purchase card files. The IOP contains the purchase transaction checklist that is being integrated into RCOSW's GCPC hierarchy.

(c) **Camp Butler - Regional Contracting Office (RCO) Far East - Concur.** RCO revision of the IOP and desktop guide, to be completed 1 March 2004, will incorporate the recommendation and remove the ambiguous wording regarding file maintenance. Additionally, after reconciliation of account statement with the AO, all original credit card holder documentation will be maintained by the AO and stay with the unit after the AO detaches.

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(d) **MCCS Camp Butler - Concur.** SOP 12-02 establishes internal review procedures and a file checklist to maintain complete and auditable transaction files.

(e) **MCCS Camp Pendleton - Concur.** GCPC program participants receive training that reinforces the requirement to maintain full audit detail for purchases made on the government purchase card. This includes monthly credit card statement, purchase receipts, packing slips, register tapes, etc. As part of the periodic GCPC audit program, MCCS Camp Pendleton will verify the ongoing maintenance of complete and auditable transaction files.

c. Recommendation 3. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler] establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs."

(1) The Marine Corps concurs in the recommendation.

(2) While the EBUSOPSINST 4200.1A does describe a requirement to document reconciliation /certification, this requirement can be clarified further. All APCs will be provided a policy letter to be incorporated into their local IOPs no later than 27 February 2004. The policy letter will clarify that cardholders and AOs will sign and date statements to document monthly reconciliation/certification. This area is also reviewed through the statistical sampling conducted during the semi-annual review process.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** The APC emphasizes the reconciliation process during GCPC training. The monthly AO reconciliation checklist, referenced above, includes a requirement for the signature and date to be verified by the AO.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** RCOSW instructs its billet holders of

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the requirement to print out and sign certification statements. These printouts are to be kept in the billet holder's purchase file for a period of six years and three months.

(c) **Camp Butler - Regional Contracting Office (RCO) Far East - Concur.** The IOP and desktop guide address this subject. RCO will continue to monitor the process for compliance through audits, monthly transactions and semi-annual program reviews.

(d) **MCCS Camp Butler - Concur.** Compliance of this process is prescribed in SOP 12-02 and is monitored by the AMO Accounts Payable Accounting Technician by verifying that each GCPC e-statement and reconciliation submitted is signed and dated by the AO.

(e) **MCCS Camp Pendleton - Concur.** Payment of the monthly credit card statement is made upon receipt, followed by the confirmation of purchases and the reconciliation of statement detail is completed prior to receipt of the next month's statement. Credit card statements are signed and certified by the cardholder and approving official as provided on the statement. The processing checklist has been changed to include the placement of the signature date on the form.

d. Recommendation 4. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler] provide additional purchase card training to all purchase card program participants."

(1) The Marine Corps partially concurs in the recommendation.

(2) All Marine Corps GCPC personnel are required to take DoN role-based training and the DAU Purchase Card Tutorial prior to assumption of GCPC duties. Additionally, EBUSOPSINST 4200.1 requires local training for all personnel and ethics training to certain cardholders and all AOs. All cardholders participated in a training DoN role-based training stand-down in November 2002. All GCPC personnel will take refresher training by November 2004 as appropriate. While the current training provides quality guidance, APCs must continuously ensure all GCPC personnel are actually

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trained as required. HQMC will direct that all APCs review subordinate GCPC personnel files and ensure everyone is trained as required no later than 31 January 2004 and upon completion of the refresher training in November 2004. APCs will provide written certification to HQMC upon completion of the training review.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** The APC takes immediate action on any Cardholder or Approving Official who misuses the purchase card. All program participants have received individual additional training as appropriate.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** RCOSW provides its GCPC billet holders with an initial three-day class on the program, and a one day, bi-annual refresher class. All training requirements are tracked in a database and GCPC billet holders are reminded when they need to attend training.

(c) **Camp Butler - Regional Contracting Office (RCO) Far East - Concur.** RCO will conduct mandatory refresher training after the completion of the revised IOP and cardholder guide. This training, to be completed not later than 1 March 2004, will focus on deficiencies addressed by the NAS team and the changes in the IOP and cardholder guide to ensure that all policies are understood. Compliance will be monitored by comparison of attendance rosters to the listing of cardholders and AOs. Cardholders and AO who do not attend the mandatory training will have their accounts suspended until the required training is completed.

(d) **MCCS Camp Butler - Concur.** MCCS requires all new GCPC cardholders take mandatory on-line GSA training, and training on local internal operating procedures. Mandatory refresher training for cardholders will be completed by 31 March 2004, and documented for the record. Mandatory training for AOs and alternate AOs was conducted 9 June 2003.

(e) **MCCS Camp Pendleton - Concur.** MCCS Camp Pendleton completed the GSA SmartPay Purchase Card Training which is more suited to our business practices.

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e. Recommendation 5. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Pendleton, Marine Corps Community Services Camp Butler] establish procedures to track purchase card training received and to maintain purchase card training records."

(1) The Marine Corps concurs in the recommendation.

(2) A number of Marine Corps APCs maintain a training database, however, a general database for the Marine Corps can be adopted. HQMC will provide all APCs a standard database for use no later than 31 March 2004. Level IV APCs must certify that all subordinate personnel have completed all required training in their semi-annual program review reports to the Level III APC.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** The APC has established and implemented the use of a Purchase Card Training log to record GCPC training. This log documents completion of all training, and is in addition to the policy of participants acknowledging completion of training that establishes their appointment and designation of cardholder / AO. The APC verifies, through random monthly reviews, that copies of letters and training certificates are maintained.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** All training requirements are tracked in a database and GCPC billet holders are reminded when they need to attend training. RCOSW will continue to enforce GCPC training requirements.

(c) **Camp Butler - Regional Contracting Office (RCO) Far East - Concur.** RCO maintains a spreadsheet of all AOs and cardholders with the date each of the training requirements was met. This database is updated with the turnover of personnel, and monitored monthly for those individuals requiring refresher training. Completion certificates and appointment letters are maintained in the account's master file for a period of three years after the individual is relieved of their duties. Subsequent to the audit all missing training records were located and are on file.

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(d) **MCCS Camp Butler - Concur.** SOP 12-02 states that documentation of all training will be kept in the individual's training folder at the AO level, with a copy kept by the APC. Additionally, the MCCS Performance Development Branch keeps all copies of sign-in sheets and maintains an automated date file of all training conducted, to include the GCPC training. This will ensure documentation of training records received by purchase card participants.

(e) **MCCS Camp Pendleton - Concur.** MCCS Camp Pendleton has implemented new procedures to track purchase card training records. This includes timely entries to individual employees' official personnel file, as well as the establishment of individual files to document training received, appointment letters, and delegation of authority letters to GCPC program participants.

f. Recommendation 7. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Hawaii Kaneohe Bay, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler] establish procedures to enforce record retention standards in accordance with the DoN eBusiness Operations Office instruction 4200.1A."

(1) The Marine Corps concurs in the recommendation.

(2) Clarification will be provided to all Marine Corps APCs. This subject will be addressed in the policy letter cited under Recommendation 1.

(3) The following additional comments are provided:

(a) **MCB Hawaii - Concur.** Training has been provided to all AOs regarding record retention requirements. The APC performs random checks on both closed and open accounts dating back six years and three months to ensure that proper record retention is maintained by the unit AOs.

(b) **Camp Pendleton, Regional Contracting Office Southwest (RCOSW) - Concur.** Billet holders are instructed to retain all GCPC documentation for a period of six years and three months. RCOSW will continue to provide oversight and enforce this requirement.

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(c) **Camp Butler - Regional Contracting Office (RCO)**
Far East - Concur. As addressed in recommendation 2, after reconciliation of account statement with the AO, all original credit card holder documentation will be maintained by the AO and stay with the unit after the AO detaches. Compliance is an ongoing process and will be monitored through the audit review process.

(d) **MCCS Camp Butler - Concur.** SOP 12-02 requires cardholders to maintain a GCPC folder with all bankcard files/records maintained for a period of three years after final payment date. Financial records must be kept for a minimum of six years and three months. Further, upon separation, the cardholder will notify their AO of the expected date of separation and forward their GCPC folders with purchase log and supporting documentation to their AO for the processing of any subsequent GCPC statements and for file retention. To monitor this process, all MCCS employees terminating employment are required to process out with the APC regardless of whether or not they have obtained a GCPC card.

g. Recommendation 9. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Community Services Camp Pendleton] develop local purchase guidance to comply with DoN purchase card guidance."

(1) The Marine Corps concurs in the recommendation.

(2) Differences between Non Appropriated Funds procurement policy and the EBUSOPSINST 4200.1A have been identified to the eBusiness Operations Office. The eBusiness Operations Office is currently working with DoN NAF activities to develop a comprehensive instruction to meet their unique situation. Upon completion of the DoN NAF purchase card policy, HQMC(MR) will update guidance to MCCS NAF activities and plans to participate in the tailoring of purchase card desk guides and training to meet NAF specific needs.

h. Recommendation 10. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Community Services Camp Butler] update local purchase card procedures to comply with DoN purchase card guidance."

(1) The Marine Corps concurs in the recommendation.

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(2) Differences between Non Appropriated Funds procurement policy and the EBUSOPSINST 4200.1A have been identified to the eBusiness Operations Office. The eBusiness Operations Office is currently working with DoN NAF activities to develop a comprehensive instruction to meet their unique situation. Upon completion of the DoN NAF purchase card policy, HQMC(MR) will update guidance to MCCS NAF activities and plans to participate in the tailoring of purchase card desk guides and training to meet NAF specific needs.

i. Recommendation 11. "We recommend that the staff of the Commandant of the Marine Corps [Headquarters Marine Corps] update command level purchase card guidance to comply with DoN purchase card guidance."

(1) The Marine Corps concurs in the recommendation.

(2) HQMC will work with Marine Corps activities to review and update their local IOPs. HQMC will identify any weaknesses and direct corrections no later than 31 March 2004. HQMC has reviewed IOPs during 7 Level IV program reviews conducted since November 2002 and the remaining Level IV APC IOPs will be reviewed no later than 30 November 2004.

(3) Existing DoN purchase card guidance does not apply to nonappropriated funds, however, the Marine Corps recognizes the need for increased internal controls. MCCS nonappropriated funds are participating in a joint effort, along with two other DoN nonappropriated fund entities, with the DoN eBusiness Operations Office to draft NAF specific purchase card policy. Upon release of the NAF policy, HQMC will update guidance to MCCS NAF activities and plans to participate in the tailoring of purchase card desk guides and training to meet NAF specific needs.

j. Recommendation 12. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler] include the purchase card on the Management Control Program list of assessable units."

(1) The Marine Corps concurs in the recommendation.

(2) The Commandant of the Marine Corps reports, and will continue to report the commercial purchase card and the travel

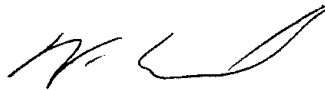
Subj: NAS DRAFT AUDIT REPORT - GOVERNMENT COMMERCIAL PURCHASE
CARD PROGRAM AT SELECTED ACTIVITIES (REPORT N2003-0023)

credit card, as part of the Marine Corps Annual Management Control Program Compliance Statement under the assessable unit identified as "Debt Management". The Deputy Commandant for Installations and Logistics, the Commercial Credit Card Program Manager, specifically identifies the Government Wide Commercial Purchase Card Program as an assessable unit. The Commander Marine Forces, Pacific includes the Commercial Credit Card Program (Credit Card Program) as an assessable unit in the command's Management Control compliance statement for 2003. This also applies to all subordinate commands including Camp Pendleton, the Regional Contracting Office Far East, and the Marine Corps Community Services Camp Butler. The Commercial Credit Card Program has been reported as having a material internal control weakness in the FY2002 and FY2003 Management Control Program Report provided to Assistant Secretary of the Navy (FM&C).

k. Recommendation 13. "We recommend that the staff of the Commandant of the Marine Corps [Marine Corps Base Units Camp Pendleton, Regional Contracting Office Far East, Marine Corps Community Services Camp Butler] reemphasize Management Control Program requirements."

(1) The Marine Corps concurs in the recommendation.

(2) The Commandant of the Marine Corps annually issues a message to field commands and a route sheet to Headquarters Marine Corps Staff that reiterates Internal Management Control requirements and provides guidance in accordance with MCO 5200.24C. HQMC also provides on-site Management Control Training on a requested basis.



R. F. Kassel
By Direction



DEPARTMENT OF THE NAVY
BUREAU OF MEDICINE AND SURGERY
2300 E STREET NW
WASHINGTON DC 20372-5300

IN REPLY REFER TO

5103
Ser M82/2003UN093-000925a
20 JAN 2004

From: Chief, Bureau of Medicine and Surgery
To: Auditor General, Naval Audit Service

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED
ACTIVITIES (N2003-NFA300-0023)

Ref: (a) NAVAUDSVC email tasker dtd 1 Dec 03
(b) NAVAUDSVC memo 7547/N2003-NFA300-0023) of 1 Dec 03

Encl: (1) National Naval Medical Center Credit Card Corrective
Actions
(2) Naval Medical Information Management Center Credit
Card Corrective Actions
(3) 1st Dental Battalion/Naval Dental Center Credit Card
Corrective Actions

1. Reference (a) requested Bureau of Medicine and Surgery
response on recommendations identified in reference (b).
Enclosures (1) through (3) provide the requested responses for
the appropriate recommendations identified.

2. Please contact Mr. Rick Barnish at (202) 762-3336 or email:
JRBarnish@us.med.navy.mil, should you have any questions.


C. P. MARTIN
By direction

Management Response
from the Bureau of Medicine and Surgery
*Responding on behalf of the 1st Dental Battalion/Naval Dental Center, National Naval Medical Center Bethesda, and
Naval Medical Information Center Bethesda*

NATIONAL NAVAL MEDICAL CENTER (NATNAVMEDCEN)
CREDIT CARD CORRECTIVE ACTIONS
NAVAL AUDIT SERVICE DRAFT REPORT N2003-NFA300-0023

Naval Audit Service Status Spreadsheet

Number	Opportunity for Improvement	POC	Status to date	Next Step	Anticipated Completion
1	Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder	LTJG Johnny Ramos	NATNAVMEDCEN has a Government Purchase Card (GPC) Standard Operating Procedure (SOP) identifying the procedures for receipt documentation of goods received by someone other than the purchase cardholder. All items ordered are received through the warehouse and documentation of receipt is made in the Defense Medical Logistics Standard Support System (DMLSS). Cardholders do not have receipt privileges in DMLSS. In the event the item does go directly to the person ordering the material, he/she must take it to the warehouse for receipt to be documented.	None	Action Complete
2	Develop a purchase card transaction file checklist to maintain complete and auditable transaction files	LTJG Johnny Ramos	Reconciled files are centrally maintained in the Acquisition Division of Logistics Department for a period of 6 years and 3 months. There is a quality assurance checklist attached to each file detailing the contents required in the file.	None	Action Complete
3	Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs	LTJG Johnny Ramos	In the current packages maintained by logistics, the certification statement in each package shows the billing cycle and date reconciled, and the statement is signed by both cardholder and approving official.	None	Action Complete
4	Provide additional purchase card training to all purchase card program participants	LTJG Johnny Ramos	Prior to activation of a card, the Acquisition Division of the Logistics Department starts a file for the cardholder and initial training certificates are placed in the folder. A spreadsheet is maintained identifying cardholders and initial training dates so that the requirement for refresher training is identified and cardholders notified to complete the training. In addition, monthly training is offered to all cardholders.	None	Action Complete
5	Establish procedures to track purchase card training received and to maintain purchase card training records	LTJG Johnny Ramos	As rolled in recommendation 4, the Acquisition Division of the Logistics Department maintains a spreadsheet of training for all cardholders.	None	Action Complete

Management Response from the Bureau of Medicine and Surgery

Responding on behalf of the 1st Dental Battalion/Naval Dental Center, National Naval Medical Center Bethesda, and Naval Medical Information Center Bethesda

NAVAL MEDICAL INFORMATION MANAGEMENT CENTER (NAVMEINFOMGMTCCN) CREDIT CARD CORRECTIVE ACTIONS NAVAL AUDIT SERVICE DRAFT REPORT N2003-NFA300-0023 Naval Audit Service Status Spreadsheet					
Number	Opportunity for Improvement	POC	Status to date	Next Step	Anticipated Completion
1	Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder	M. Deluca	Updated NAVMEINFOMGMTCCN Internal Operating Procedure (IOP) Section 4. Retained Personnel and developed metrics as evidence receipt function is performed by Central Receiving.	Continue to monitor cardholders (CH) through monthly reviews and visits with CH and Approving Officials (AO)	On-Going Monthly
2	Develop a purchase card transaction file checklist to maintain complete and auditable transaction files	M. Deluca	Checklists developed for Agency Program Coordinators (APC). AO and CH identifying documentation requirements for transaction auditing	Continue interactions with AO, CH and Reviewing Official (RO) to ensure compliance and file completion	On-Going Monthly
3	Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs	M. Deluca	Developed metrics to document signature and date of reconciliation by CH and AO	Continue monitoring CH and AO statements for timely processing from receipt date stamped to reconciliation completion	On-Going Monthly
4	Provide additional purchase card training to all purchase card program participants	M. Deluca	Training has been continuous throughout FY 2003, that included E-Learning courses, CDs from Department of the Navy (DON), Defense Acquisition University (DAU) On-line, Procurement Performance Management Assessment Program (PPMAP) Trainer	Establish training schedule for FY 04 to encompass Internal Management Control processes and continued deficiencies in the program. Use In-sessions for local training	Phase 1 - 31 Jan 04, Phase 2 - 31 Mar 04, Phase 3 - 30 Jun 04, Phase 4 - 01 Oct 04
5	Establish procedures to track purchase card training received and to maintain purchase card training records	M. Deluca and O. Lee	Metric has been established that tracks all participant training	Continually update each phase of training completed. Ad-Hoc training will be provided on specific problem areas identified from Analysis of Deficiencies	Same as schedule above
6	Establish procedures to document the results of semi-annual purchase card reviews	M. Deluca and O. Lee	Reports have been established for CH and AO that details deficiencies found in every transaction and a date set for corrective action by CH	Continue working with AO and CH to identify the causes for deficiencies and take corrective action during the reconciliation process.	On-Going Monthly

Enclosure (2)

Management Response
from the Bureau of Medicine and Surgery
Responding on behalf of the 1st Dental Battalion/Naval Dental Center, National Naval Medical Center Bethesda, and Naval Medical Information Center Bethesda

Naval Audit Service Status Spreadsheet						1ST DENTAL BATTALION/NAVAL DENTAL CENTER (1ST DEN BN/NDCC) CREDIT CARD CORRECTIVE ACTIONS NAVAL AUDIT SERVICE DRAFT REPORT (N2003-NFA-300-0023)					
Number	Opportunity for Improvement	POC	Status to date	Next Step	Anticipated Completion						
1	Establish procedures to document reconciliation of goods received by someone other than the purchase cardholder	L.T.D. S. Cichocki	Cardholder (CH) files were found to be missing receipt signatures from someone other than the purchase cardholder. The 1st Dental Battalion/NAVDENCC Camp Pendleton had purchase cardholders in Bldg 2621, Mainiside Dental Clinic, Miramar, Barstow, 29 Palms, and Yuma, AZ. Our current Internal Operating Procedures (IOP) address the fact that three-way separation of duties is mandatory (enclosure (1)). To provide better oversight of the purchase card program, purchase cardholder locations were limited to Bldg 2621.	The Authorizing Official (AO) will review all purchase card transactions appearing as charges on the monthly statement and the corresponding individual purchase files to ensure that all purchase cardholders adhere to proper three-way separation of duties. In addition, retraining will be provided to all purchase cardholders regarding receipt procedures.	AO reviews files Monthly when statements submitted by CH. Retraining est. completion by 30 Jan 04.						
2	Develop a purchase card transaction file checklist to maintain complete and auditable transaction files	L.T.D. S. Cichocki	The Command's purchase card transaction file checklist has been reviewed/updated.	The 1st Dental Battalion/NAVDENCC Camp Pendleton's Purchase Card IOP's purchase card audit checklist will be used by cardholders and the AO to maintain auditable files. See enclosure (2). Cardholders and AO will be retrained on the contents of purchase files and procedures when making credit card purchases.	Ongoing for purchase card audit checklist; retraining is expected to be completed by 30 Jan 04.						
3	Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs	L.T.D. S. Cichocki	Monthly credit card statements were being reconciled and certified on-line via the Cldirect website as they should be. However, no hardcopy signatures or dates were posted to hardcopy reconciliation file copies.	Reconciliation and certification of monthly credit card statements will continue to be done via the Cldirect website in order to meet government prompt payment goals and minimize interest payments. Hardcopy reconciliation files will now contain cardholder and AO signatures and dates of statement reconciliation/certification	Ongoing						
4	Provide additional purchase card training to all purchase card program participants	L.T.D. S. Cichocki	Some cardholders were missing documented proof of credit card training although they had been trained. Some cardholders needed a biennial refresher course. Cardholder training files have been reviewed.	Those cardholders requiring ethics and/or refresher training, etc., will be scheduled for training.	Training is expected to be completed by 30 Jan 04.						
5	Establish procedures to track purchase card training received and to maintain purchase card training records	L.T.D. S. Cichocki	At the time of inspection, training files were kept in a binder. New individual credit cardholder/AO/Agency Program Coordinator (APC) training files have been created.	A master training excel spreadsheet listing required training for all program participants will be kept by the APC. The APC will identify and schedule required training using this master training spreadsheet.	Ongoing						
6	Establish procedures to document the results of semi-annual purchase card reviews	L.T.D. S. Cichocki	The 1st Dental Battalion/NAVDENCC Camp Pendleton had missed a semi-annual purchase card review reporting period 2 years ago. The semi-annual purchase card review report has been placed on the Command's tickler report file in addition to the Internal Review program.	The Internal Review Program and Command's tickler report file will ensure no semi-annual purchase card reviews are missed.	Action Complete						
7	Establish procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office instruction 4200.1A	L.T.D. S. Cichocki	Purchase cardholders at 29 Palms, Miramar, Barstow, Mainiside, and Yuma, AZ retained their own purchase files placing retention of their files in their control. Purchase files from 29 Palms, Miramar, Barstow, Mainiside, and Yuma, AZ have been transferred to Bldg 2624 archives since cardholders no longer exist at those locations. All cardholders at Bldg 2621 have been trained on purchase file retention standards.	All files will be maintained in command archives storage.	Action Complete						

Enclosure (3)

Management Response
from the Bureau of Medicine and Surgery
Responding on behalf of the 1st Dental Battalion/Naval Dental Center, National Naval Medical Center Bethesda, and Naval Medical Information Center Bethesda



DEPARTMENT OF THE NAVY
COMMANDER MILITARY SEALIFT COMMAND
914 CHARLES MORRIS CT SE
WASHINGTON NAVY YARD DC 20398-5540

REFER TO:

7547
Ser N85/001436

DEC 24 2003

MEMORANDUM FOR ASSISTANT AUDITOR GENERAL, FINANCIAL MANAGEMENT
AND COMPTROLLER AUDITS, NAVAL AUDIT SERVICE

Subj: DRAFT AUDIT REPORT ON GOVERNMENT COMMERCIAL PURCHASE
CARD PROGRAM AT SELECTED ACTIVITIES (2003-0023)

Ref: (a) NAVAUDSVC memo 7547/N2003-NFA300-0023 of 1 Dec 03

Encl: (1) COMSC comments on subject Audit

1. Enclosure (1) is forwarded in response to reference (a).
2. Commander Military Sealift Command Pacific has implemented recommendations contained in subject draft report.
3. COMSC POC is E. Henriksen, 202-685-5968.

GLADYS J. COMMONS
Comptroller

Management Response
from the Military Sealift Command
Responding on behalf of the Military Sealift Command Pacific

COMMANDER, MILITARY SEALIFT COMMAND RESPONSE
TO
NAVAL AUDIT SERVICE DRAFT REPORT ON
GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM
AT SELECTED ACTIVITIES REPORT 2003-0023 CODE N2003-NFA300-0023

NAVAUDSVC Recommendation 1: Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

COMSC Response: Concur. Military Sealift Command Pacific (MSCPAC) has established receipt documentation procedures as part of MSCPAC procedures. Action is complete.

NAVAUDSVC Recommendation 2: Develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

COMSC Response: Concur. MSCPAC has established a purchase card transaction file checklist as part of MSCPAC procedures. Action is complete.

NAVAUDSVC Recommendation 3: Establish procedure to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

COMSC Response: Concur. MSCPAC has established procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs as part of MSCPAC procedures. Action is complete.

NAVAUDSVC Recommendation 4: Provide additional purchase card training to all purchase card program participants.

COMSC Response: Concur. Training web sites and training CD's for all required training have been provided to all Purchase Card participants. For new individuals having a need for a purchase card, procedures are in place to not issue cards until all mandatory training requirements have been completed and documented. For individuals who now have purchase cards but do not complete mandatory refresher training in a timely manner, procedures are in place to suspend cards until training requirements have been completed and documented. Action is complete.

NAVAUDSVC Recommendation 5: Establish procedures to track purchase card training received and to maintain purchase card training records.

COMSC Response: Concur. MSCPAC has established procedures to track purchase card training received and to maintain purchase card training as part of MSCPAC procedures. Action is complete.

NAVAUDSVC Recommendation 7: Establish procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office instruction 4200.1A.

COMSC Response: Concur. MSCPAC has established procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office instruction 4200.1A as part of MSCPAC procedures. Action is complete.

Management Response
from the Military Sealift Command
Responding on behalf of the Military Sealift Command Pacific



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
RADM WILLIAM A. MOFFETT BUILDING
47123 BUSE ROAD, BLDG 2272
PATUXENT RIVER, MARYLAND 20670-1547

IN REPLY REFER TO

5200
AIR-00G4/209
29 December 2003

From: Commander, Naval Air Systems Command
To: Assistant Auditor General (Financial Management and Comptroller Audits)

Subj: NAVAL AUDIT SERVICE DRAFT REPORT ON COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES
(2003-NFA300-0023)

Ref: (a) NAVAUDSVC memo 7547/N2003-NFA300-0023 of 01 Dec 03

Encl: (1) NAVAIRSYSCOM Response to Subject Report

1. Reference (a) forwarded the subject draft report for our review and comments. Accordingly, enclosure (1) provides our response.
2. Please direct questions concerning the response to Ms. Udora Myers at 301-757-2104.


C. A. WALKER
By direction

Management Response
from the Naval Air Systems Command
Responding on behalf of Naval Air Depot North Island

NAVAL AIR SYSTEMS COMMAND RESPONSE TO
NAVAUDSVC DRAFT AUDIT REPORT ON
"COMMERCIAL PURCHASE CARD PROGRAM
AT SELECTED ACTIVITIES"
N2003-NFA300-0023 DATED 01 DECEMBER 2003

Finding 1: Purchase Card Internal Controls. Department of Navy (DON) activities did not maintain adequate internal controls over their purchase card programs as required by guidance. The Naval Supply Systems Command (NAVSUP) Instruction 4200.94 and the eBusiness Operations Office Instruction 4200.1A state that activities should establish specific internal controls for managing the purchase card program and identify specific internal control requirements.

NAVAIR Response: Concur. The Naval Air Depot (NADEP), North Island Commercial Purchase Card Program is managed and monitored by the Fleet and Industrial Supply Center (FISC) San Diego through a Memorandum of Agreement. Following the NADEP site visit of May 5-16, 2003, FISC conducted a training session on May 21, 2003, for all Purchase Cardholders and Authorizing Officials. Proper procedures were re-emphasized and the documents presented during the training were e-mailed to all program participants on May 21, 2003. In addition, the FISC Internal Review Office conducts monthly statistical sampling of all purchase card transactions to specifically look for compliance with the requirements of EBUSOPSOFFINST 4200.1A. The Purchase Cardholder Checklist, Attachment (A), is included in the FISC auditor's monthly review of transactions. The results of these reviews are reported to the management team and the Agency Program Coordinator and retained on file to document the reviews. Action completed.

Recommendation 1: Naval Air Depot, North Island establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. Existing procedures for separation of function (independent receipt and acceptance) were re-emphasized during the training session. A Purchase Cardholder Checklist, along with a Cardholder Certification Statement and excerpts from regulations were presented to program participants. The documents presented during the training were also e-mailed to all program participants on May 21, 2003. A copy of the current Purchase Cardholder Checklist is provided as Attachment (A). This is one of the FISC audit points of the monthly reviews discussed under Finding 1 response. Action completed.

Recommendation 2: Naval Air Depot, North Island develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

Management Response
from the Naval Air Systems Command
Responding on behalf of Naval Air Depot North Island

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. During the training session, a mandatory Purchase Cardholder Checklist, along with a Cardholder Certification Statement and excerpts from regulations, were presented to program participants. The documents presented during the training were also e-mailed to all program participants on May 21, 2003. In addition, this is an audit point conducted in FISC's monthly internal review discussed above. Action completed.

Recommendation 3: Naval Air Depot, North Island establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. During the training session, a Cardholder Certification Statement to be submitted with the completed statement reconciliation, specifically emphasizing the date, was presented to participants. The documents presented during the training were also e-mailed to all program participants on May 21, 2003. In addition, this is an audit point conducted in FISC's monthly internal review discussed above. Action completed.

Recommendation 4: Naval Air Depot, North Island provide additional purchase card training to all purchase card program participants.

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. A Purchase Cardholder Checklist, along with a Cardholder Certification Statement and excerpts from regulations were presented to program participants. The documents presented during the training were also e-mailed to all program participants on May 21, 2003. Completed training records are maintained and incorporated into employee Individual Development Plans. This training is required for all new cardholders, authorizing officials, and program coordinators with refresher training conducted annually. The next training session will be held in May 2004. Action completed.

Finding 2: Purchase Card File Retention. Nine DON activities could not provide purchase card files for review. Both NAVSUP and eBusiness Operations Office instructions require maintenance of purchase-related records for a minimum of 3 years and financial records for 6 years and 3 months. The Financial Management Regulation requires cardholders to establish clear audit trails for credit card transactions by maintaining documentation to support each purchase.

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. Record-keeping requirements were re-emphasized and a mandatory Purchase Cardholder Checklist was presented to program participants. The Checklist contains the statement, "All supporting documentation must be associated with the document and maintained for a minimum of 3

Management Response
from the Naval Air Systems Command
Responding on behalf of Naval Air Depot North Island

years after transaction is completed." In addition, FISC Internal Review is conducting annual reviews to ensure purchase folders, documentation, and financial records are maintained for the prescribed period of time. Action completed.

Recommendation 7: Naval Air Depot, North Island establish procedures to enforce record retention standards in accordance with the DON eBusiness Operations Office Instruction 4200.1A.

NAVAIR Response: Concur. A FISC training session for all Purchase Cardholders and Authorizing Officials was conducted on May 21, 2003. Record-keeping requirements were re-emphasized and a mandatory Purchase Cardholder Checklist was presented to program participants. The Checklist contains the statement, "All supporting documentation must be associated with the document and maintained for a minimum of 3 years after transaction is completed." The documents presented during the training were also e-mailed to all program participants on May 21, 2003. In addition, FISC Internal Review is conducting annual reviews to ensure purchase folders, documentation, and financial records are maintained for the prescribed period of time. Action completed.

Management Response
from the Naval Air Systems Command
Responding on behalf of Naval Air Depot North Island

PURCHASE CARD HOLDER CHECKLIST

MANDATORY: MUST BE INCLUDED IN EVERY PURCHASE CARD TRANSACTION

CARDHOLDER:

DOC #		DOC #	
DOC #		DOC #	
DOC #		DOC #	
DOC #		DOC #	

	<input checked="" type="checkbox"/> IF INCLUDED IN FILE	ITEM	NOTES
1		Material Request Signature and Date of Requesting Authorizing Official Date & Time received by Cardholder	
2		SCREEN FOR MANDATORY GOVERNMENT SOURCES	
		<input type="checkbox"/> YES Material was screened for mandatory government sources	
		<input type="checkbox"/> NO Material was NOT screened for mandatory government sources Explanation attached	
A		<input type="checkbox"/> Material not available through mandatory sources	
B		<input type="checkbox"/> Material available through mandatory sources but not ordered..... waiver and justification must be attached	
3		Research backup i.e., Price list, quote, "print screen" the website	
4		Vendor Packing List and/or Material Receipt with Signature & Date	
5		Vendor Invoice and/or Copy of Charge Slip with Vendor identification	
6		Correct Price, if necessary, in NIMMS and Update Electronic Log & annotate reason.	

7	AO INITIALS	APPROVING OFFICIAL INITIALS CERTIFY PHYSICAL VALIDATION OF PROPER RECEIPT AND ACCEPTANCE, AND INSPECTION IF APPLICABLE, AS REQUIRED BY EBUSOPSOFFINST 4200.1A, Sep 2, 2003, CHAP 2, PARA 4.d.
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NOTES

All supporting documentation, including Checklist, must be associated with the document and maintained for a minimum of 3 years after transaction is completed.

REFERENCE:

EBUSOPSOFFINST 4200.1A, September 2, 2003
 DON purchase Card Program Cardholder Desk Guide, 03/03/2003
 NAVAIR INST 4200.42, June 6, 2003

POC: FISC CODE 122D, DEC 2, 2003

Attachment ()

TOTAL P. 05

Management Response
from the Naval Air Systems Command
Responding on behalf of Naval Air Depot North Island



DEPARTMENT OF THE NAVY
NAVY RECRUITING COMMAND
ATTN: SECURITY BR.
MILWAUKEE, WISCONSIN 53205-5057

IN REPLY REFER TO:

7500
Ser 00/

From: Commander, Navy Recruiting Command
To: Assistant Auditor General, Financial Management and
Comptroller Audits


Subj: NAVAUDSVC DRAFT AUDIT REPORT NO. 2003-0023 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES"
DATED 1 DECEMBER 2003

Ref: (a) NAVAUDSVC memo 7547/N20003-NFA300-0023 of 1 Dec 03
(b) Katie Mobley email of 12 Jan 03

Encl: (1) CNRC Response to Audit Report Recommendations 1-6
(2) CNRC Response to Audit Report Recommendations 12-13

1. Per reference (a) and (b), enclosures (1) and (2) provides
Commander, Navy Recruiting Command (CNRC) response to subject
audit report recommendations.

2. CNRC point of contact for audit matters is Renee Long, CNRC
(00IG4), (901)874-9037/DSN 882, E-mail longre@cnrc.navy.mil.


G. J. CORNISH
By direction

Copy to:
NAVCRUITREG WEST
NAVCRUITDIST San Diego
N1/N4

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003

FINDING 1: Purchase Card Internal Controls

RECOMMENDATION 1: Establish procedures for receipt documentation for goods received by someone other than the purchase cardholder.

CNRC/NRD RESPONSE: **Concur** – Current Internal Operating Procedure (IOP), dated 10 January 2004, addresses proper receipt documentation for goods received by someone other than the purchase cardholder. All cardholders were trained on proper receipt and acceptance procedure.

Enclosure (1)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 1: Purchase Card Internal Controls

RECOMMENDATION 2: Develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

CNRC/NRD RESPONSE: **Concur** – Current Internal Operating Procedure (IOP), dated 10 January 2004, addresses procedure for proper purchase card transaction file. Each cardholder maintains a binder which includes monthly cardholder statements, purchase card log, requisition (request forms), and receipt documentations.

Enclosure (1)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 1: Purchase Card Internal Controls

RECOMMENDATION 3: Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

CNRC/NRD RESPONSE: **Concur** – Current Internal Operating Procedure (IOP), dated 10 January 2004, addresses proper procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs. Cardholder reconciles all information on his/her monthly statements. Approving Official (AO) is responsible for reviewing and signing the cardholder's statement of account to the designated billing office within 5 days after the end of the billing cycle. A revised instruction, requiring the approving official to date, as well as sign the cardholder's statement of account, will be issued by March 2004.

Enclosure (1)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 1: Purchase Card Internal Controls

RECOMMENDATION 4: Provide additional purchase card training to all purchase card program participants.

CNRC/NRD RESPONSE: **Concur** – Current Internal Operating Procedure (IOP), dated January 2004, addresses purchase card training to all purchase card program participants. In addition to training required by NAVSUP 4200.1A, all prospective cardholders and cognizant approving officials must receive orientation on local operating procedures. The APC or Logistics Support Officer shall provide information and basic instruction on how to use this card to cardholders and approving officials in accordance with agency policy. Refresher training is required at least every two years for cardholders and others involved in the process to ensure compliance and understanding of contracting authority and local operating procedures. APC/AO/Cardholders have successfully completed the Department of the Navy Purchase card CitiDirect Training Course (version: 1.4) in October/November 2003 (all certificates are on file). This is in addition to in-house Purchase Card training held throughout FY-03 and documented in training folders.

Enclosure (1)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 1: Purchase Card Internal Controls

RECOMMENDATION 5: Establish procedures to track purchase card training received and to maintain purchase card training records.

CNRC/NRD RESPONSE: Concur – Training binders for each fiscal year were established in October 2002 to track all certificate of training and in-house purchase card training received.

Enclosure (1)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 4: Purchase Card as an Assessable Unit

RECOMMENDATION 12: Include the purchase card on the Management Control Program list of assessable units.

CNRC/NRD RESPONSE: **Concur:** In the past, the Management Control Program has been handled at the Headquarters level, with the purchase card an established assessable unit. However, based on the recommendation of this report, a formal list of assessable units will be required at the District Level. The target date when a formal list of assessable units will be required at the district level is July 2004.

Enclosure (3)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego

**NAVAUDSVC DRAFT AUDIT REPORT N2003-NFA300-0013 "GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" DATED 1
DECEMBER 2003**

FINDING 4: Purchase Card as an Assessable Unit

RECOMMENDATION 13: Reemphasize Management Control Program requirements.

CNRC/NRD RESPONSE: - **Concur:** The Management Control Program is an integral part of Navy Recruiting Commands evaluation processes. However, renewed emphasis will be placed at the District level. The re-emphasis efforts include attendance by the Management Control Program Coordinator at the Navy Inspector General Symposium in January 2004, completion of a management control instruction, and training provided at the next CNRC Commanding Officer's Conference in April 2004.

Enclosure (3)

Management Response
from the Navy Recruiting Command
Responding on behalf of the Navy Recruiting District San Diego



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

IN REPLY REFER TO

7500
Ser MR/002
13 Jan 2004

FIRST ENDORSEMENT on NRL ltr 7500 Ser 3000/076 of 09 Jan 04

From: Chief of Naval Research
To: Naval Audit Service

Subj: NAS DRAFT REPORT N2003-NFA300-0023, GOVERNMENT
COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES

1. Forwarded.

M. STABILE
CAPT, SC, U.S. Navy
By direction



DEPARTMENT OF THE NAVY
NAVAL RESEARCH LABORATORY
4555 OVERLOOK AVE SW
WASHINGTON DC 20375-5320

IN REPLY REFER TO
7500
Ser 3000/076
09 JAN 2004

From: Commanding Officer, Naval Research Laboratory
To: Naval Audit Service
Via: Chief of Naval Research (ONR OOMR)

Subj: NAS DRAFT REPORT N2003-NFA300-0023, GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES

Ref: (a) NAS Draft Audit Report N2003-NFA300-0023 of 1 Dec 03
(b) NAVSUP Instruction 4200.94 of 29 June 99
(c) DON eBusiness Operations Office Instruction 4200.1 of 19 Aug 02
(d) DON eBusiness Operations Office Instruction 4200.1A of 2 Sep 03

1. We appreciate the opportunity to review and respond to your findings and recommendations regarding your audit of the Purchase Card Program documented in reference (a). However, we are disappointed that you have concluded that Navy activities, including the Naval Research Laboratory (NRL), do not "...have reasonable assurance that effective controls are in place to prevent and detect inappropriate use of the purchase card." This is an overly-broad and misleading conclusion regarding NRL's Purchase Card Program, and would lead to a false impression that the purchase card abuse that attracted much congressional and media attention is still pervasive within the entire Department of Navy. Since the inception of the Purchase Card Program at NRL in 1989, we have implemented rigorous automated processes that facilitate daily 100-percent-reviews of purchase card transactions and random internal audits by NRL's purchase card staff, and require pre-approval and post-review of cardholder transactions by approving officials. Additionally, NRL maintains an informative web-site and telephone and e-mail help-desk operations to assist purchase cardholders in making transactions and validating appropriate use of the card. We are confident that these procedures along with the Navy rules and regulations successfully prevent and/or help detect any inappropriate use of the purchase card.

2. Your auditors found no evidence of inappropriate use of the purchase card at NRL. In fact, the initial reports from your auditors indicated a high degree of confidence in our Program. Further, the auditors provided that information to the Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) which resulted in an official from ASN (RDA), [REDACTED] meeting with our Purchase Card Program Activity Program Coordinator (APC) and supervisor where he discussed NRL's Program and commended NRL for proper use of the cards, conducting internal reviews, using automated tools integrated with the internal financial/procurement systems, and the routine implementation of improvements and corrective actions including cardholder suspensions and retraining requirements. He also stated that some of the NRL Program procedures should be written as Navy best practices.

Management Response
from the Naval Research Laboratory
Provided via the Office of Naval Research

Subj: NAS DRAFT REPORT N2003-NFA300-0023, GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES

3. We could not validate the specific findings reported in reference (a) because we were not provided the detailed results of the auditor's transactions review. In many cases the results cited in the draft audit differed from the summary provided by the audit team during the exit interview. However, we have already modified our Purchase Card Program to include some of your recommendations even though we are not convinced that they will improve or further safeguard purchase card usage. Our responses to the specific recommendations from Finding 1, Purchase Card Internal Controls, identified as applicable to NRL are provided below.

Recommendation 1 – Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

Response: Concur in part. Formal changes to the NRL Purchase Card Program instruction and procedures were made effective 5 January 2004 to require micro-purchase cardholders, i.e., the "division" cardholders, to obtain the dated co-signature of another NRL employee. This is now required for all purchase card receipts even though the pre-approval and post-review by the approving official of all cardholder transactions already provided adequate control against fraud and/or abuse. Division cardholder usage accounted for approximately 52 percent of the total dollar value of purchase card transactions at NRL. It should be noted that the other 48 percent of purchase card transactions were made by NRL's contracting officer cardholders, personnel in the 1105 occupation series, who use the card primarily for payment purposes (but also to make some micro-purchases); for these transactions the receipt documentation was already being made by someone other than the purchase cardholder because these goods were always received, inspected and accepted by NRL's central receiving operation and recorded in our automated procurement system. The NAS auditors reviewed the central receiving operation and rated the process and system as highly effective and efficient as it clearly meets all separation of function requirements.

Recommendation 2 - Develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

Response: Concur in Principle. The NRL Purchase Card Program instruction and operating procedures already specify and require a comprehensive set of documents that are to be maintained in a complete and auditable transaction file. These documents include: the Bankcard Purchase Document; Cardholder's Worksheet; Telephone Quotation Record, Statement of Accounts (Invoice), Government Cardholder Dispute Form, vendor's invoice, sales receipts, packing slips, and any other relevant documentation such as a catalog page or published price list. Thus, this detailed list already meets the intent of this recommendation. We understand that this recommendation is based on the fact that some transaction files did not include vendor receipt documentation. As we explained to your auditors, vendors frequently do not provide receipts, particularly with telephone and internet orders. However, we have also modified the NRL Purchased Card Program instruction and procedures, effective 5 January 2004, to require cardholders to attempt, and to document the attempt, to obtain charge slips, cash register receipts,

Subj: NAS DRAFT REPORT N2003-NFA300-0023, GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES

and/or packing slips to support proof of sales when not automatically provided by the vendor. It should be noted that the NRL Purchase Card Program already requires more rigorous procedures than required in references (b), (c), and (d), in that all division-level micro-purchases require review and approval by the approving officials prior to completing each purchase; this is further evidence that NRL already had effective controls in place to prevent and detect inappropriate use of the card. In NRL's process, the development and maintenance of a specific purchase card transaction file checklist would be an additional administrative burden that will not provide further benefits.

Recommendation 3 – Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

Response: **Concur in Principle.** NRL procedures/forms already require signature and date for reconciliation on our internal Bankcard Purchase Document for division cardholders and approving officials. At the time of the audit, contracting officer cardholders and approving officials were using the CitiBank reconciliation document, which does not include a date field. Existing DoN instructions also did not (and currently do not) specifically require dates. While the auditors found no missing signatures, some signatures for only the contracting officer cardholders and approving officials were not dated. While it is not clear that a date provides added integrity, it should be recognized that the NRL system and procedures provide alternative records of dates that suffice in the cases where the signatory has not dated their signature. For example, our automated procurement system records the reconciliation date of each transaction and the date that the final reconciliation report is completed; the contracting officer cardholders' reconciliation statements are date-stamped upon receipt by our internal finance staff; and our APC routinely reviews a report of reconciliation submission dates. Since March 2003, contracting officer cardholders and approving officials have also been reconciling within the automated system. System dates are now generated for all reconciliation transactions and cardholder signatures are made on the forms with date fields.

Related to this recommendation, Exhibit H reported "Transactions Files Lacking Proper Reconciliation." The auditors did not identify any improper reconciliations during the exit interview. It appears that this exhibit reflects the assumption that files lacking a vendor receipt document, as discussed in Recommendation 2, have been determined to be improperly reconciled. This is a misleading conclusion regarding the integrity of the reconciliation process and is duplicative of Exhibit F.

Recommendation 4 – Provide additional purchase card training to all purchase card program participants.

Response: **Do not concur.** In September 2001, NRL conducted the required the DoN refresher training for all division cardholders and approving officials; this group comprised 96 percent of the Purchase Card Program participants at NRL. NRL contracting officer cardholders and

Subj: NAS DRAFT REPORT N2003-NFA300-0023, GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES

approving officials (the other 4 percent of the participants) did not participate in the refresher training because their attendance at annual procurement stand-down training, DAWIA training requirements, and continual on the job training of NRL procedures for use of the purchase card for simplified acquisition far exceeded the content and benefits of the refresher training, and would be redundant.

This recommendation was based on finding that four people did not take the refresher training. Three of those people were contracting officers, so we intentionally exempted them from that specific refresher training in September 2001 as discussed above. However the fourth person cited by the auditors was a division cardholder, [REDACTED]. It is incorrect to report [REDACTED] in the finding as lacking training during this review because we had revoked her purchase card authority effective 26 September 2001. Since the semi-annual review period was from 1 October 2001 through 30 March 2002 the refresher training was not applicable to this former cardholder.

It should be noted that in September 2003 all NRL Purchase Card Program participants (including contracting officers) completed the new DAU mandatory training. Additionally, we now require all contracting officer cardholders and approving officials to complete the DoN refresher training since the content of that training was modified in October 2003 to include specific information relative to transactions above the micro- purchase level.

Recommendation 5 – Establish procedures to track purchase card training received and to maintain purchase card training records.

Response: Do not concur. NRL already has procedures in place to track purchase card training for all cardholders and approving officials. Training records are managed by the NRL APC and reviewed by her supervisor. NRL was able to provide all training records requested by the NAS auditors.

4. The NRL point of contact for the Purchase Card Program is the APC, Ms. Judy Hope; she may be reached at (202) 404-8165.



C. W. FOWLER
By Direction



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

IN REPLY TO

7500

Ser 00N3C/380

24 December 2003

From: Commander, Naval Sea Systems Command
To: Auditor General of the Navy

Subj: DRAFT AUDIT REPORT ON GOVERNMENT COMMERCIAL PURCHASE
CARD PROGRAM AT SELECTED ACTIVITIES (N2003-NFA300-0023)

Ref: (a) NAVAUDSVC ltr 5747/N2003-NFA300-0023 of 1 Dec 03

Encl: (1) NAVSEA Response to the Subject Report

1. Enclosure (1) is COMNAVSEA's response to reference (a), which was directed to NWSC Dahlgren, NSWC Carderock and NUWC Newport.

2. The NAVSEAINSGEN point of contact is Patricia Diggs, SEA 00N3C, who may be reached on (202) 781-3331 or Internet diggspg@navsea.navy.mil.

F. D. Mitchell
CAPT, JAGC, USN
Inspector General

Copy to:
NAVINGEN (N43)

Management Response
from the Naval Sea Systems Command

*Responding on behalf of the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and
Naval Undersea Warfare Center Newport*

NAVSEA Response to
Naval Audit Service Draft Report
N2003-NFA300-0023

Overall Comments

Since calendar year 2002 to present, the General Accounting Office, the Naval Audit Service, and the DoD Inspector General have issued audit reports on NAVSEA's FY-01 and first quarter FY-02 purchase card transactions. NAVSEA has completed actions to respond to these audit reports and implemented policy to strengthen internal controls over the NAVSEA purchase card program. NAVSEA notes that the audit report findings did not take into consideration purchase card policies that were implemented to satisfy these previously issued multiple audit findings. It should also be noted that, if the audit agencies continue to review data prior to the implementation of current policy, then audit findings will continue to show non-compliance with established audit standards and will not reflect the current status of the NAVSEA purchase card program.

Recommendation 1:

Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

Management Response:

Concur. On 17 July 2002 NAVSEA issued claimancy-wide Purchase Card Policy Letter SEA 2002-04; Separation of Functions. The policy letter implements Recommendation 10 of NAS Audit Report 2002-0051 dated 29 May 2002, on this issue.

NAVSEA Level 5 APCs are directed to advise cardholders that they cannot be the official receipt point for material or services that they procure. They must always designate another person to inspect the material or service to officially acknowledge receipt. File documentation must include the date receipt and have a clearly annotated signature acceptance.

Action considered complete: 17 July 2002.

ENCLOSURE (1)

**Management Response
from the Naval Sea Systems Command**

*Responding on behalf of the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and
Naval Undersea Warfare Center Newport*

Recommendation 2:

Develop a purchase card transaction file checklist to maintain complete and audible transaction files.

Management Response:

Concur. On 17 July 2002 NAVSEA issued claimancy-wide Purchase Card Policy Letter SEA 2002-01; Purchase Card Program Compliance with NAVSUPINST 4200.94. The policy letter implements Recommendation #8 of NAS Audit Report 2002-0051 dated 29 May 2002, on this issue.

NAVSEA Level 5 APCs are directed to mandate Approving Official utilization of the Purchase Card Transaction Checklist to assure the review at reconciliation is complete.

Action considered complete: 17 July 2002.

Recommendation 3:

Establish procedures to document signature of the individual reconciling the purchase card statement and the date reconciliation occurs.

Management Response:

Concur. The Purchase Card Transaction Checklist addressed in the management response to Recommendation 2 above requires the AO to check-off individual items, sign, and date the checklist for reconciliation purposes.

NAVSEA will initiate a policy letter that will standardize cardholder packages and will require cardholders to sign and date monthly statements, and for reconciliation purposes cardholders will be required to make a check mark against reconciled transactions.

Target completion date: 30 March 2004.

Recommendation 4:

Provide additional purchase card training to all purchase card program participants.

**Management Response
from the Naval Sea Systems Command**

*Responding on behalf of the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and
Naval Undersea Warfare Center Newport*

Management Response:

Concur. While each of the three field sites note that all purchase card participants had completed mandated training, each admitted a few training certificates could not be found at the time of this audit.

NAVSEA will issue an electronic message to Level 5 APCs requiring them to research and document each participant's program training completion dates and provide appropriate training to those participants whom are due for refresher training or those participants whose training certificate could not be found.

Target completion date: 30 March 2004.

Recommendation 5:

Establish procedures to track purchase card training received and to maintain purchase card training records.

Management Response:

Concur. NAVSEA will issue a policy letter mandating Level 5 APCs maintain a purchase card training database. The database will identify by date the initial mandatory training completion and all refresher training dates as well as local training, local refresher training, and the date next training is due. Level 5 APCs will also be reminded they are required to maintain copies of all training certifications.

Target completion date: 30 March 2004.

Recommendation 7:

Establish procedures to enforce record retention standards in accordance with the Department of the Navy eBusiness Operations Office Instruction 4200.1A.

Management Response:

Concur. Naval Surface Warfare Center (NSWC) Carderock's program has undergone review and revamping. A new Level 5 APC was appointed March 03. NSWC Carderock has enforced record retention and has established a procedure to scan

**Management Response
from the Naval Sea Systems Command**

*Responding on behalf of the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and
Naval Undersea Warfare Center Newport*

all AO certification packages and supporting documentation into an electronic file system maintained within the APC's office. The Level 3 APC conducted an on-site visit to NSWC Carderock on 20 January 2004, and confirmed that the APC had instituted a scanning process that captures every AO certification and each cardholder's monthly statement, with associated documentation. The electronic medium is in accordance with FAR 4.802(f).

Action Considered Complete: 20 January 2004

**Management Response
from the Naval Sea Systems Command**

*Responding on behalf of the Naval Surface Warfare Center Carderock, Naval Surface Warfare Center Dahlgren, and
Naval Undersea Warfare Center Newport*



DEPARTMENT OF THE NAVY
NAVAL WAR COLLEGE
686 CUSHING RD
NEWPORT RHODE ISLAND 02841-1207

7500
Ser 083/3993
31 Dec 03

From: President, Naval War College

To: Assistant Auditor General for Financial Management and Comptroller Audits

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM, DRAFT AUDIT
REPORT N2003-NFA300-0023

Encl: (1) NWC Response to Draft Naval Audit Service report N2003-NFA200-0023

1. Enclosure (1) provides responses to recommendations contained in the subject report.
2. Point of Contact for this matter is Robert H. Sampson, at (401) 841-6545.


J.C. Meyer
By direction

Management Response
from the Naval War College

NAVAL WAR COLLEGE RESPONSE TO DRAFT NAVAL AUDIT SERVICE REPORT
N2003-NFA300-0023

RECOMMENDATION 1. NWC establish procedures for receipt documentation of goods received by someone other than the purchase cardholder.

NWC RESPONSE: Concur. NWC cardholders and approving officials now reconcile purchase card transaction in accordance with EBUSOPSOFFINST 4200.1A. Prior to this audit the NWC implemented procedures to ensure all purchase card transactions were properly documented including a requirement that cardholders forward their complete monthly transaction files to the APC for review as reflected in the most recent Internal Operating Procedures (IOP) dated 01 December 2003.

RECOMMENDATION 2. Develop a purchase card transaction file checklist to maintain complete and auditable transaction files.

NWC RESPONSE: Concur. The NWC Government Purchase Card Internal Operating Procedures outlines the procedures to follow to ensure transaction files maintain a complete audit trail.

RECOMMENDATION 3. Establish procedures to document the signature of the individual reconciling the purchase card statement and the date that reconciliation occurs.

NWC RESPONSE: Concur. Reconciliation of purchase card statements are processed electronically through CitiDirect by the cardholder. Once the cardholder reconciles the statement, CitiDirect provides an electronic date. CitiDirect also offers cardholders tutorial and helpdesk assistance as they navigate the web-site.

RECOMMENDATION 4. Provide additional purchase card training for program participants.

NWC RESPONSE: Concur. In October 2002 all purchase cardholders completed mandatory training. Training modules were accessed through either the E-business purchase card training website or by CD-ROM. All cardholders have submitted a completion certificate to the APC which is maintained in each cardholder's training file.

RECOMMENDATION 5. Establish procedures to track purchase card training received and to maintain purchase card training records.

NWC RESPONSE: Concur. The NWC currently maintains documentation of training for purchase card program participants in accordance with EBUSOPSOFFINST 4200.1A. The NWC IOP will be updated no later than 31 March 2004 and will include a listing of required training in accordance with EBUSOPSOFFINST 4200.1A.

RECOMMENDATION 12. Include the purchase card on the Management Control Program list of assessable units.

NWC RESPONSE. Concur. The NWC purchase card program has been, and remains an assessable unit within the Management Control Program. Consistent with policy directives, the NWC has assigned and instituted organizational responsibilities to provide continuous management oversight.

RECOMMENDATION 13. Reemphasize Management Control Program requirements.

NWC RESPONSE. Concur. Final revisions to the NWC Management Control Plan to address all affected policy changes will be made by 31 March 2004. The NWC has also instituted several steps to further delineate management control responsibilities, including establishment of a Resource Board comprised of senior managers from all areas of concern, to reinforce control and authority for all asset allocations.



DEPARTMENT OF THE NAVY

NAVY EXCHANGE SERVICE COMMAND
3280 VIRGINIA BEACH BOULEVARD
VIRGINIA BEACH, VA 23452-5724
(757) 631-4548 / Fax 4508

IN REPLY REFER TO:

4280
MM:mm:K
23 JAN 04

From: Agency Program Coordinator, Navy Exchange Service Command (NEXCOM)
To: Assistant Auditor General for Financial Management and Comptroller Audits


Subj: COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES
(N2003-NFA300-0023)

1. The following responses are provided according to the above subject audit conducted at the Navy Exchange Coronado.

- a. Recommendation 1. NEXCOM Concur. NEXCOM's IOP was established February 1999 and was provided to all program participants. The current IOP dated May 2003 provides more detailed information regarding this subject. All program participants have been trained in this area.
- b. Recommendation 2. NEXCOM does not concur. Program participants are already overburdened with the abundance of paperwork required to maintain the program effectively. NEXCOM will provide additional training on record keeping and retention no later than March 30, 2004.
- c. Recommendation 3. NEXCOM Concur. Procedures were established in the original IOP established February 1999 and reiterated in the current IOP dated May 2003.
- d. Recommendation 4. NEXCOM Concur. NEXCOM is currently providing retraining to all program participants that will be completed by March 30, 2004.
- e. Recommendation 5. NEXCOM Concur. NEXCOM's APC retains all hard copy training records as well as maintains a database with current information. APCs have always retained a hard copy training records since the inception of the program. The database was created in 2003.
- f. Recommendation 7. NEXCOM Concur. NEXCOM's current IOP is in accordance with the current DON eBusiness Operations Office Instruction 4200.1A where applicable to NAFIs. The original IOP was created and issued in February 1999. Several revisions have been made throughout the years and the current revision date is May 2003.
- g. Recommendation 9. NEXCOM does not Concur. Individual Navy Exchanges are not allowed to develop individual GPC guidelines. However, they must follow central policy guidelines which have already been established by NEXCOM since February 1999.

Management Response
from the Navy Exchange Service Command
Responding on behalf of the Navy Exchange Coronado

2. Should you require additional information, please contact the undersigned at (757) 631-4129 or via e-mail at melissa_macgregor@nexnet.navy.mil.


Digitally signed
by Melissa
MacGregor
Date: 2004.01.23
16:08:58 -05'00'
MELISSA MACGREGOR

copy to:
Dave Evans, Audit Director
Ken Hargrove, Director OIA (NEXCOM)

Management Response
from the Navy Exchange Service Command
Responding on behalf of the Navy Exchange Coronado

From: Melissa MacGregor [mailto:Melissa_MacGregor@nexnet.navy.mil]
<mailto:Melissa_MacGregor@nexnet.navy.mil>
Sent: Wednesday, February 04, 2004 8:40
To: Evans, David AAUSN-NAVAUDIT
Subject: Re: RESPONSE DATES

Dave,

Recommendation 2. NEXCOM Concur. Information regarding record keeping and retention including specific instructions to insure that cardholders have all documents in the file (e.g. a check list) is included in NEXCOMs training presentation and will be provided to all program participants not later than March 30, 2004.

Recommendation 5. NEXCOM Concur. NEXCOM s APC retains all hard copy training records, as of May 30, 2003, as well as a database with current information. The database was created May 30, 2003.

Please let me know if you need additional information.

R/

Melissa MacGregor
Contracting Officer
NEXCOM
Phone: (757) 631-4129
Fax: (757) 631-4531
melissa_macgregor@nexnet.navy.mil <mailto:melissa_macgregor@nexnet.navy.mil>

The above e-mail was provided as subsequent correspondence from Navy Exchange Service Command, following discussions between them and the Naval Audit Service in which they chose to modify their response to Recommendations 2 and 5.

Management Response
from the Navy Exchange Service Command
Responding on behalf of the Navy Exchange Coronado



DEPARTMENT OF THE NAVY
SHORE INTERMEDIATE MAINTENANCE ACTIVITY
MAYPORT, FLORIDA 32228-0028

7547
Ser 00/
16 Dec 03

From: Commanding Officer, Shore Intermediate Maintenance Activity, Mayport
To: Assistant Auditor General for Financial Management and Comptroller Audits, Naval Audit Service, Washington Navy Yard
Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES (N2003-NFA300-0023)

Ref: (a) NAVAUDSER memo 7547/N2003-NFA300-0023 dated 1 Dec 03

1. Per reference (a), the following responses are to Finding No. 1 (Purchase Card Internal Controls).

a. (Recommendation Number 1) Establish procedures for receipt documentation of goods received by someone other than the purchase cardholder:

All material is received, recorded and processed in the warehouse, by receiving personnel. The material is then taken to a bin where the Repair Parts Petty Officer (RPPO) will pick-up the material and signs the receipt. The Receipt is then returned to the Warehouse personnel for processing the receipts. The password to the Maintenance Resource Management System (MRMS) has been changed to allow only receiving personnel access to the system to post all receipt documentation. This process will result in a three-way separation of functions between the Approving Official, Purchasing Agent and Receiving personnel.

b. (Recommendation Number 2) Develop a purchase card transaction file checklist to maintain complete and auditable transaction files:

A Purchase Card Transaction Checklist has been developed and is currently being used by all Purchase Card Holders and attached to processed order.

c. (Recommendation Number 3) Establish procedures to document signature of the individual reconciling the purchase card statement and the date the reconciliation occurs:

Management Response
from the Shore Intermediate Maintenance Activity Mayport, FL

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED
ACTIVITIES (N2003-NFA300-0023)

All Purchase Card Holders print their monthly statements from the Online Citibank site. The Card Holder then reconciles the statement. Upon completion of card holder(s) reconcile, they sign and date the electronic statement and pass it to their Approving Official (AO) for review and approval. Once the AO reviews the Statement it is signed and dated and passed to the credit card certifier to be processed in WINSALTS for certification. This process is usually completed five business days after the statement close date.

d. (Recommendation Number 4) Provide additional purchase card training to all purchase card program participants:

Training was provided upon completion of this audit to cover the wide variety of discrepancies that were found from the previous management and cardholders of the Purchase Card Program. A new Purchase Card Program Instruction was created to comply with EBUSOPSOFFINST 4200.1 and all purchase card program participants were trained on the new procedures.

e. (Recommendation Number 5) Establish procedures to track purchase card training received and to maintain purchase card training records:

Training is tracked on an excel spreadsheet and a copy of the this worksheet is attached to the Cardholders delegation of authority letter and filed the Agency Program Coordinator's and Cardholder's binders.

2. The following responses are to Finding No. 4 (Purchase Card as an Assessable Unit).

a. (Recommendation Number 12) Include the purchase card on the Management Control Program list of assessable units:

Shore Intermediate Maintenance Activity (SIMA) does not concur with this finding by the Naval Audit Service. Fleet Industrial and Support Center (FISC) Norfolk Detachment Charleston is SIMA's Head of Contracting Activity (HCA). FISC Norfolk Detachment Charleston, Procurement Division conducts a Procurement Management Review of SIMA's Government Commercial Purchase Card Program annually. NAPS 5201.691-2(b) provides that each HCA is responsible for the oversight and review of their subordinate contracting organizations. In addition, NAPS

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED
ACTIVITIES (N2003-NFA300-0023)

5201-691-2(f)(2) requires that by 30 December of each year, HCA's must report to ASN (RD&A) ABM a summary of relevant findings from the result of the previous fiscal years Procurement Management Assessment Program (PPMAP). As for internal auditing procedures, SIMA performs audits of the purchase cardholders files by the cardholders Approving Official (AO) and Agency Program Coordinator (APC) during the monthly statement reconciliation process. SIMA's APC conduct a Semi-Annual Review of the Purchase Card Program with all results forwarded to Commander, Naval Surface Force Atlantic who forwards these reviews to the DON eBusiness Operations Office by 30 November and 30 May of each year per EBUSOPSOFFINST 4200.1. This reporting requirement is levied by ASN RD&A.

b. (Recommendation Number 13) Reemphasize Management Control Program requirements:

SIMA's Management Control Program consist of the annual Procurement Management Review by FISC Norfolk Detachment Charleston, the Semi-annual Agency Program Coordinator (APC) Purchase Card Program Review with results forwarded to Commander, Naval Surface Forces Atlantic, and the Approving Official and APC Monthly Audits of the purchase cardholders files. The following elements are review in each of the above-mentioned audits:

c. Review Internal Operating Procedures (IOP) to ensure compliance with current DOD/DON Regulations and Directives. Reporting requirement: Certify that IOP is in compliance with current regulations and directives.

d. Verify compliance with applicable training requirements. reporting requirement: Report number of APCs/AOs/CHs in program. Report number of APCs/AOs/CHs who have documented evidence of successful completion of the mandatory training.

e. Review appropriate delegations of authority. Reporting requirement: Certify that all program participants have appropriate and accurate delegations of authority in accordance with EBUSOPSOFFINST 4200.1.

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED
ACTIVITIES (N2003-NFA300-0023)

f. Integrity of purchase request process. Reporting requirement: Based on statistical sampling certify that the purchase request process is appropriate and necessary controls are met.

g. Receipt, inspection and acceptance. Reporting requirement: Based on statistical sampling certify that independent receipt, inspection and acceptance is being maintained.

h. Invoice certification process. Reporting requirement: Based on statistical sampling certify that invoice certification is taking place in a timely manner and that supporting documentation is maintained.

i. Internal procedures to resolve disputes. Reporting requirement: Certify that internal procedures are in place to effectively monitor and resolve disputes.

j. Span of control (card accounts to AO and card accounts to APC). Reporting requirement: Report number of AOs (7:1) and/or APCs (300:1) out of span of control and what action will be taken to resolve the situation.

k. Delinquencies. Reporting requirement: Certify that delinquencies are being monitored on a monthly basis. Report what action is being taken to resolve existing delinquencies.

l. Account spending limits. Reporting requirement: Certify that all Cardholder and Approving Official monthly spending limits have been reviewed and are in compliance with the guidelines outlined in EBUSOPSOFFINST 4200.1.

m. Questionable transactions. Reporting requirement: Based on 100% transactional review, report the number of instances of:

(1) Purchases not required to fulfill minimum, immediate need to support DON mission.

(2) Purchases not for government use, but for personal use.

(3) Purchases that exceeded authorized limits.

Subj: GOVERNMENT COMMERCIAL PURCHASE CARD PROGRAM AT SELECTED
ACTIVITIES (N2003-NFA300-0023)

(4) Requirements that were split to circumvent the
Micro-purchase threshold.

(5) Purchases that were prohibited items explained in
the purchase card desk guide.

n. Disciplinary action. Reporting requirement: Report
number of instances of misuse, abuse or fraud and where
disciplinary action was taken describe the action taken.

3. If you have any questions my POC is LT James R. Moon,
jmoon@sermc.spear.navy.mil, at (904) 270-5126 Ext. 3005.


P. B. SHEPLER



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

5040
Ser 00G/003
14 Jan 04

From: Commander, Space and Naval Warfare Systems Command
To: Assistant Auditor General for Financial Management
and Comptroller Audits

Subj: NAVAL AUDIT SERVICE REPORT "GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" (AUDIT
N2003-NFA300-0023)

Encl: (1) Space and Naval Warfare Systems Command Response to
Subject Naval Audit Service Report

1. This is the Space and Naval Warfare System Command response to the subject Naval Audit Service report. In accordance with the Naval Audit Service request we have reviewed the finding and concur with all five recommendations. Our comments to these recommendations are provided in enclosure (1).

2. The Naval Audit Service (NAVAUDSVC) visited SPAWAR Systems Center San Diego (SSC-SD) from 28 April 03 through 9 May 03 as part of a visit to selected activities. NAVAUDSVC made a finding in subject audit that DON activities did not maintain adequate internal controls over their purchase card programs as required by guidance. During the course of their visit to SSC-SD they reviewed purchase card transactions dated 1 October 01 through 30 March 02. Because of prior GAO audits and SPAWAR inspections the deficiencies and problems identified by the auditors were already known to SSC-SD and corrective actions had already been implemented. Summary responses to the NAVAUDVC finding and recommendations in the subject report are as follows:

a. Recommendation 1 was to establish procedures for receipt documentation of goods received by someone other than the purchase cardholder. On 21 December 01 SSC-SD published updated, internal operating procedure, SSDSDINST 7300.1. Final corrective action was completed 16 January 03.

b. Recommendation 2 was to develop a purchase card transaction file checklist to maintain complete and auditable transaction files. On 8 July 01 a Enterprise Resource Planning (ERP) pilot was adapted to manage the controls of the purchase

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

Subj: NAVAL AUDIT SERVICE REPORT "GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM AT SELECTED ACTIVITIES" (AUDIT
N2003-NFA300-0023)

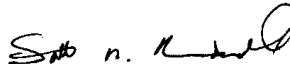
card program, to document and track the commitment, obligation and expense of a purchase card buy. Final corrective action was completed 16 January 03.

c. Recommendation 3 was to establish procedures to document signature of the individual reconciling the purchase card statement and the date the reconciliation occurs. The same corrective action used for recommendation 2 is also applicable to this recommendation. On 8 July 01 a Enterprise Resource Planning (ERP) pilot was adapted to manage the controls of the purchase card program, to document and track the commitment, obligation and expense of a purchase card buy. Final corrective action was completed 16 January 03.

d. Recommendation 4 was to provide additional purchase card training to all purchase card participants. Commencing 3 October 2001 and concluding in January 2002, all Cardholders and Approving Officials completed the mandated training. All new personnel assigned as Cardholders or Approving Officials are trained prior to assuming their duties. This is an ongoing effort. Final corrective action was completed 16 January 03.

e. Recommendation 5 was to establish procedures to track purchase card training received and to maintain purchase card training records. On 29 June 1999 NAVSUPINST 4200.94 established said procedures. SSC-SD is complying with the guidance contained therein. Final corrective action was completed 16 January 03.

3. Questions concerning this correspondence may be directed to CDR John McDonald, Inspector General, at (619) 524-7064 or DSN 524-7064.


SCOTT R. RANDALL
Deputy Commander

Copy to:
SSC San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

Finding 1: PURCHASE CARD INTERNAL CONTROLS

Recommendation #1: Receipt, inspection and acceptance procedures: CONCUR AND COMPLYING

During the period of time covered by this audit SSC San Diego recognized this as a material weakness and was already addressing it. GAO conducted two audits of the SSC San Diego purchase card program commencing in May 2001 and November 2001, and highlighted this issue as well. As a result of these audits, SSC San Diego took the following steps before, during and since the transactional period of review for this audit:

9 Aug 2001 - Established Internal Process Team to review Purchase Card procedures and revise internal operating manual.

3 Oct 2001 - Commenced DON-mandated training for all cardholders, approving officials. Receipt and acceptance was highlighted as a weakness.

21 Dec 2001 - Published updated, revised internal operating manual into SPAWARSYSCEN instruction.

January 2002 - Commenced certifying officer training for new and existing AOs that included verifying appropriate expenditure of government funds through the ERP/SAP auditable record for the individual transactions.

28 Feb 2002 - CO met with Department Heads to personally review GAO transactions, with specific findings highlighted.

1 Mar 2002 - COMSPAWAR suspends Purchase Card authority.

4 Mar 2002 - CO distributed "all hands" message to workforce highlighting the Purchase Card suspension, basis, program value, consideration of taxpayer dollars.

5 Mar 2002 - COMSPAWAR restores authority.

12 Mar 2002 - ASN (RD&A) directs SPAWAR Purchase Card authority suspension.

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

13 Mar 2002 - SSC SD CO testimony before Congress.

14 Mar 2002 - Process to identify Phase I cardholder reinstatement began.

20 Mar 2002 - CO notice to Departments to clean up purchase card records/files.

28 Mar 2002 - CO directs mandatory training for all requestors, CHs, AO/COs.

29 Mar 2002 - Phase I reinstatement of authority commences for 12 CHs to make critical and/or fleet/joint support purchases.

April 2002 - Commanding Officer convened 12 mandatory all hands briefings for purchase requesters, cardholders, approving and certifying officials. Receipt and acceptance was highlighted in her briefing as a area needing special attention

22-26 April 2002 - SPAWAR/NAVSUP conduct SSC-SD sample transaction review.

29 May 2002 - COMSPAWAR approves implementation of Phase II CHs.

16 Jan 2003 - COMSPAWAR approves implementation of Phase III CHs.

Consistent with NAVSUPINST 4200.94 and EBUSOPSOFFINST 4200.1A our local procedures require that internal controls be established to ensure that the same person does not perform the functions of initiation of requirement, award of purchase action, and receipt of material. Items purchased with a Purchase Card must be "receipt acknowledged" by the requester, Approving Official (AO), or other designated government employee who can personally-sight that the item was received. The final receiver must sign and date the receipt obtained with the item. SSC San Diego has the added requirement that the receiver's signature must also be printed. These signed receipts are scanned into the electronic system (ERP/SAP) to retain an audit trail of compliance with these procedural requirements. These documents in the transaction container are subject to review by the AO

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

during the reconciliation process. This corrective action milestone was completed on 21 December 01. Final corrective action was completed 16 January 03.

Recommendation #2: Develop a purchase card transaction file checklist to maintain complete and auditable transaction files: CONCUR AND COMPLYING

As an Enterprise Resource Planning (ERP) pilot using SAP/R-3 software the program was adapted to manage the controls of the card program within ERP to document and track the commitment, obligation and expense of a purchase card buy. Also resident in ERP is the ability to electronically store all the receipts and supporting documentation of each purchase.

All Cardholders (CHs) are required to process all purchase card transactions in accordance with EBUSOPSOFFINST 4200.1A and the DoN Cardholder Citidirect Desk Guide. CHs are given two checklists during training on the local Internal Operating Procedures. A separate checklist has been used to review the transactions as part of the monthly review process. These checklists are provided as attachments (1), (2) and (3) to this narrative. However, it should be noted that training materials are presently in the process of being updated so one comprehensive checklist would be used by CHs, as well as, by the Purchase Card Program Office (PCPO) staff when performing monthly transactional reviews. It is important to note that SSC San Diego CHs create a purchase card requisition utilizing Systems Applications Products (SAP/R3) software and must obtain AO approval prior to each purchase. CHs are required to check mandatory sources (i.e. JWOD, DPAS) for item availability and document this in the text of the Purchase Request (PR). Once the PR is completed the saved requisition will be forwarded to the AO for approval or rejection. Only after the requisition is approved can the CH purchase the requested items. **All transactions associated with each requisition are recorded in SAP/R-3 and therefore auditable.** Also, Document Management System (DMS) capabilities within SAP are used to attach supporting documents for the requisition. All of these documents are in the container and part of the purchase requisition file, subject to review by the AO pre-purchase and during the reconciliation process. This system provides the audit trail of documents to satisfy

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

the auditable transaction files. This corrective action milestone was completed on 08 July 01.

As a result of the various audits involving the Purchase Card Program, SSC San Diego took the following steps before during and since the transactional period of review for this audit:

8 July 2001 - Deployed Enterprise Resource Planning (ERP) pilot using SAP/R-3 software for documentation and tracking of various business procedures, including purchase card transactions.

9 Aug 2001 - Established Internal Process Team to review Purchase Card procedures and revise internal operating manual, which included a review of procedures to document an auditable transaction file by cardholders.

3 Oct 2001 - Commenced DON-mandated training for all cardholders, approving officials.

21 Dec 2001 - Published updated, revised internal operating manual into SPAWARSYSCEN instruction.

January 2002 - Commenced certifying officer training for new and existing AOs that included verifying appropriate expenditure of government funds through the ERP/SAP auditable record for the individual transactions.

28 Feb 2002 - CO met with Department Heads to personally review GAO transactions, with specific findings highlighted.

1 Mar 2002 - COMSPAWAR suspends Purchase Card authority.

4 Mar 2002 - CO distributed "all hands" message to workforce highlighting the Purchase Card suspension, basis, program value, consideration of taxpayer dollars.

5 Mar 2002 - COMSPAWAR restores authority.

12 Mar 2002 - ASN (RD&A) directs SPAWAR Purchase Card authority suspension.

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

13 Mar 2002 - SSC SD CO testimony before Congress.

14 Mar 2002 - Process to identify Phase I cardholder reinstatement began.

20 Mar 2002 - CO notice to Departments to clean up purchase card records/files.

28 Mar 2002 - CO directs mandatory training for all requestors, CHs, AO/COs.

29 Mar 2002 - Phase I reinstatement of authority commences for 12 CHs to make critical and/or fleet/joint support purchases.

April 2002 - Commanding Officer convened 12 mandatory all hands briefings for purchase requesters, cardholders, approving and certifying officials.

22-26 April 2002 - SPAWAR/NAVSUP conduct SSC-SD sample transaction review.

29 May 2002 - COMSPAWAR approves implementation of Phase II CHs.

16 Jan 2003 - COMSPAWAR approves implementation of Phase III CHs.

Final corrective action was completed 16 January 03.

Recommendation #3: Establish procedures to document signature of the individual reconciling the purchase card statement and the date the reconciliation occurs: CONCUR AND COMPLYING

During the period of time covered by this audit SSC San Diego recognized this as a material weakness and was already addressing it. GAO conducted two audits of the SSC San Diego purchase card program in commencing in May 2001 and November 2001 and had highlighted this issue as well. At the end of March 2002, it became clear that corrective action in many areas of the purchase card program were not moving fast enough and the Commander, SPAWAR ordered the shut down of the purchase card program. It was decided that only through thorough training and higher-level oversight from SPAWAR, Department of Navy and Department of Defense would the

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

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program be allowed to restart. The restart of the SSC San Diego program took five months starting with only twelve purchase CHs and grew to its current size of 283 CHs and AOs. A ten fold reduction in users compared to the same time the year before.

In addition to aggressively reviewing CH compliance, functionality was built into SAP/R3 to automate the purchase card process from requisition creation, through reconciliation (including certification), and receipt and acceptance. Each requisition is routed electronically via workflow and all reviews and approvals are performed on-line and electronically date stamped.

An EDI electronic statement file from Citibank downloads charges against the CH's account daily. The CH is encouraged to reconcile daily but no later than time period required by the eBusiness purchase card time frames using the credit card reconciliation transaction process in SAP. The CH retrieves those purchases against his/her card on-line and enters the appropriate cost object and requisition number for each transaction. Financial validations are performed to ensure the cost object is open and funds are available. SAP/R-3 workflow is used to route the reconciled transaction to the CH's AO, who then updates the SAP file with the approval or rejection. The AO is required to sign and date the hard copy invoice and submit it to accounting for payment and document retention. The CH also reconciles disputed items on-line, awaiting resolution from Citibank; any credits received will be subsequently reconciled to the same cost object as the original disputed charge. **The user, date and time for each of these transactions are recorded in SAP/R-3.** The SAP/R-3 system provides the complete auditable file for each transaction. This corrective action milestone was completed on 8 July 01.

As a result of the various audits involving the Purchase Card Program, SSC San Diego took the following steps before, during and since the transactional period of review for this audit:

8 July 2001 - Deployed Enterprise Resource Planning (ERP) pilot using SAP/R-3 software for documentation and tracking of various business procedures, including purchase card transactions.

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

9 Aug 2001 - Established Internal Process Team to review Purchase Card procedures and revise internal operating manual, which included a review of procedures to document an auditable transaction file by cardholders.

3 Oct 2001 - Commenced DON-mandated training for all cardholders, approving officials.

21 Dec 2001 - Published updated, revised internal operating manual into SPAWARSYSCEN instruction.

January 2002 - Commenced certifying officer training for new and existing AOs that included verifying appropriate expenditure of government funds through the ERP/SAP auditable record for the individual transactions.

28 Feb 2002 - CO met with Department Heads to personally review GAO transactions, with specific findings highlighted.

1 Mar 2002 - COMSPAWAR suspends Purchase Card authority.

4 Mar 2002 - CO distributed "all hands" message to workforce highlighting the Purchase Card suspension, basis, program value, consideration of taxpayer dollars.

5 Mar 2002 - COMSPAWAR restores authority.

12 Mar 2002 - ASN (RD&A) directs SPAWAR Purchase Card authority suspension.

13 Mar 2002 - SSC SD CO testimony before Congress.

14 Mar 2002 - Process to identify Phase I cardholder reinstatement began.

20 Mar 2002 - CO notice to Departments to clean up purchase card records/files.

28 Mar 2002 - CO directs mandatory training for all requestors, CHs, AO/COs.

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29 Mar 2002 - Phase I reinstatement of authority commences for 12 CHs to make critical and/or fleet/joint support purchases.

April 2002 - Commanding Officer convened 12 mandatory all hands briefings for purchase requesters, cardholders, approving and certifying officials.

22-26 April 2002 - SPAWAR/NAVSUP conduct SSC-SD sample transaction review.

29 May 2002 - COMSPAWAR approves implementation of Phase II CHs.

16 Jan 2003 - COMSPAWAR approves implementation of Phase III CHs.

Final corrective action was completed 16 January 03.

Recommendation #4: Provide additional purchase card training to all purchase card participants: CONCUR AND COMPLYING

During the period of time covered by this audit SSC San Diego recognized this as a material weakness and was taking action to address it.

Since the first GAO audit that commenced in May 2001, SSC San Diego recognized this as a weakness and worked hard to correct. Local procedures, revisions and changes are taught in refresher training by the APC. Navy wide purchase card training was conducted in October 2001. The APC has trained a total of 283 CHs and AOs on all the aspects of the Purchase Card Program. After the Purchase Card Program was initially suspended in March 2002, it was reinstated in 3 Phases. All CHs and AOs in each Phase were aggressively trained and reminded of their responsibilities to the program. All CHs and AOs receive initial training prior to receipt of purchase/approving authority. All CHs and AOs receive refresher training every two years and/or when policies/procedures change significantly. Individual files have been established to document training. This corrective action milestone was completed in January 02.

As a result of the various audits involving the Purchase Card Program, SSC San Diego took the following steps before, during and since the transactional period of review for this

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audit:

9 Aug 2001 - Established Internal Process Team to review Purchase Card procedures and revise internal operating manual.

3 Oct 2001 - Commenced DON-mandated training for all cardholders, approving officials.

21 Dec 2001 - Published updated, revised internal operating manual into SPAWARSYSCEN instruction.

January 2002 - Conducted certifying officer training for new and existing AOs that included verifying appropriate expenditure of government funds through the ERP/SAP auditable record for the individual transactions.

28 Feb 2002 - CO met with Department Heads to personally review GAO transactions, with specific findings highlighted.

March-September 2002 - All CHs and AOs receive a full training curriculum.

1 Mar 2002 - COMSPAWAR suspends Purchase Card authority.

4 Mar 2002 - CO distributed "all hands" message to workforce highlighting the Purchase Card suspension, basis, program value, consideration of taxpayer dollars.

5 Mar 2002 - COMSPAWAR restores authority.

12 Mar 2002 - ASN (RD&A) directs SPAWAR Purchase Card authority suspension.

13 Mar 2002 - SSC SD CO testimony before Congress.

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SPACE AND NAVAL WARFARE SYSTEMS CENTER, SAN DIEGO

requestors, CHs, AO/COs.

29 Mar 2002 - Phase I reinstatement of authority commences for 12 CHs to make critical and/or fleet/joint support purchases.

April 2002 - Commanding Officer convened 12 mandatory all hands briefings for purchase requesters, cardholders, approving and certifying officials. This was a two-hour session to address the weaknesses of the program and actions taken to correct them.

22-26 April 2002 - SPAWAR/NAVSUP conduct SSC-SD sample transaction review.

29 May 2002 - COMSPAWAR approves implementation of Phase II CHs.

16 Jan 2003 - COMSPAWAR approves implementation of Phase III CHs.

Final corrective action was completed 16 January 03.

Recommendation #5: Establish procedures to track purchase card training received and to maintain purchase card training records: CONCUR AND COMPLYING

During the period of time covered by this audit SSC San Diego recognized this as a material weakness. Individual files have been created for each CH and AO. Each file reflects a record of successful completion of the required training for each member of the Purchase Card Program. As of this date all Program participants have provided evidence of successful completion of required training. Additionally, the access database has been updated to reflect current training information for each CH and AO. The PCPO Training Coordinator reviews the database monthly. Program participants needing refresher training are notified via email 60 days prior to the due date for refresher training date with a follow-up reminder 30 days later. If no response is received and/or action taken to schedule the required refresher training, the APC is notified for the purpose of taking further action to ensure the program participant completes the required training in a timely manner. Program participants who fail to complete the

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required refresher training have their authority suspended until training is satisfactorily completed. This corrective action milestone was completed on 29 June 1999.

As a result of the various audits involving the Purchase Card Program, SSC San Diego took the following steps before, during and since the transactional period of review for this audit:

8 July 2001 - Deployed Enterprise Resource Planning (ERP) pilot using SAP/R-3 software for documentation and tracking of various business procedures, including purchase card transactions.

9 Aug 2001 - Established Internal Process Team to review Purchase Card procedures and revise internal operating manual, which included a review of procedures to document an auditable transaction file by cardholders.

3 Oct 2001 - Commenced DON-mandated training for all cardholders, approving officials.

21 Dec 2001 - Published updated, revised internal operating manual into SPAWARSYSCEN instruction.

January 2002 - Commenced certifying officer training for new and existing AOs that included verifying appropriate expenditure of government funds through the ERP/SAP auditable record for the individual transactions.

28 Feb 2002 - CO met with Department Heads to personally review GAO transactions, with specific findings highlighted.

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5 Mar 2002 - COMSPAWAR restores authority.

12 Mar 2002 - ASN (RD&A) directs SPAWAR Purchase Card

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authority suspension.

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CARDHOLDER CHECKLIST

The following is a Purchase Request checklist:

Determination of Governmental Requirements for Purchase Card Use

1. ____ Create purchase requisition
2. ____ Internal approval as required (material group number)
3. ____ Approved
4. ____ Receipt signature (other than the cardholder) Print name and date
5. ____ Itemized receipt and documentation pertaining to purchase scanned
and attached to purchase requisition document container

Attachment 1

Management Response
from the Space and Naval Warfare Systems Command
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Credit Card Checklist

As of Dec 2003

Office Supplies: YES. Orders must go to JWOD or a current JWOD authorized distributor first (PT LOMA EXPRESS STORE Located in Bldg A33, 6th Wing is an on-site JWOD distributor), if JWOD item not available, then go GSA Customer Service Center (same items you could purchase thru the Alternative Office Supplies process). JWOD website is: www.jwod.gov & GSA website is: www.gsaadvantage.gov. If office supplies are not available from JWOD/JWOD distributor or from GSA, document your research, & use your card to buy from another source.

Printer Cartridges, Ink Cartridges, CD's, Diskettes, and Data Tapes: YES. First, you must check to see if JWOD/JWOD distributor has it available - if so, you must order from JWOD; next you must try GSA. Otherwise, document your research results and then purchase from another source using your purchase card.

IT Hardware (computers, monitors, printers, scanners) and Software: YES. If available through these vehicles all IT hardware must be ordered from ITEC Direct at www.itec-direct.navy.mil; or to www.don-imit.navy.mil/esi/ for software requirements. Exceptions: 1) Urgent and immediate fleet requirement that can be documented and supported. 2) If not available from the mandatory IT sources; document your research results and purchase on the purchase card from another source.

Office Furniture: YES. UNICOR may be considered as a source but is no longer mandatory. Requirements under \$2,500 may be procured on the open market. The supplier should be the source, which best meets the Government's minimum needs in terms of price, quality, and time of delivery. The results of your research shall be documented in the long text or attached to the document container of the PR.

Printing Services: You have the option of using either the current OFD process (see your Division RM) or using the purchase card for DAPS services.

Cell Phone and Pager Services: NO. Contact Division RM or [REDACTED] to see if the Center contract can meet your needs.

Attachment 2

Management Response
from the Space and Naval Warfare Systems Command
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Desktop Phones: NO. Contact [REDACTED] or [REDACTED]

Hazardous Materials: NO. Contact the HAZMAT group or Safety.

Training Requests: NO. All training requests must go to the Training Office. They will make the purchase.

Rental Services: YES. If aggregate yearly cost is less than \$2,500 & service ends 9/30 of current fiscal year.

Software Maintenance/license agreements: YES.

Publication Subscriptions and Books: YES. Subscriptions must be held to a minimum consistent with operational requirements. Accordingly, each subscription request must contain certification by the senior official (Division Head or above) at the requesting command, that it is absolutely necessary for operational purposes.

Repairs and Calibration: YES. As long as repair is firm fixed price and doesn't exceed 50% of original acquisition value of equipment (or justification of why it's reasonable to repair vice replace) and original acquisition value of equipment doesn't exceeded \$100K.

Engineering Services, Consulting Services, Supplies/Services requiring written specifications: NO.

Furniture Design: NO.

Shipping Only Services: NO. But shipping as part of an approved order is acceptable.

Movers: NO. Contact [REDACTED]

Light Refreshments for Conferences: NO. Contact PAO to see if they can assist.

Business Cards: NO. SSC San Diego employees cannot purchase business cards using a government credit card. These cards must be ordered through the Technical Information Division. Reference, SSC San Diego Technical Information Division Standard Operating Procedure 2, Dated 22 October, 2003.

Attachment 2

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego

BANKCARD REVIEW CHECKLIST

Cardholder: _____ Code: _____

PR#	PR#	PR#
DISCREPANCIES	DISCREPANCIES	DISCREPANCIES
1 () IT (ASDP)	1 () IT (ASDP)	1 () IT (ASDP)
2 () N/A	2 () N/A	2 () N/A
3 () Safety / Enviromental	3 () Safety / Enviromental	3 () Safety / Enviromental
4 () N/A	4 () N/A	4 () N/A
5 () Telecommunications	5 () Telecommunications	5 () Telecommunications
6 () Physical Security Civilian Diving Officer Test Equip Calib.	6 () Physical Security Civilian Diving Officer Test Equip Calib.	6 () Physical Security Civilian Diving Officer Test Equip Calib.
7 () Purchases that exceed authorized limits	7 () Purchases that exceed authorized limits	7 () Purchases that exceed authorized limits
8 () Personal Use	8 () Personal Use	8 () Personal Use
9 () Split Order	9 () Split Order	9 () Split Order
10 () N/A	10 () N/A	10 () N/A
11 () Material available through Mandatory Source	11 () Material available through Mandatory Source	11 () Material available through Mandatory Source
12 () Item on List Requiring Special Attention	12 () Item on List Requiring Special Attention	12 () Item on List Requiring Special Attention
13 () N/A	13 () N/A	13 () N/A
14 () Documentation Incomplete Missing	14 () Documentation Incomplete Missing	14 () Documentation Incomplete Missing
15 () Reserved	15 () Reserved	15 () Reserved
16 () Separation of function	16 () Separation of function	16 () Separation of function
17 () Unauthorized signature on receipt	17 () Unauthorized signature on receipt	17 () Unauthorized signature on receipt
18 () N/A	18 () N/A	18 () N/A
19 () Receiver's signature Missing	19 () Receiver's signature Missing	19 () Receiver's signature Missing
20 () Plant account documentation missing	20 () Plant account documentation missing	20 () Plant account documentation missing
21 () Other	21 () Other	21 () Other
22 () Receivers signature not legible/ and/or not printed	22 () Receivers signature not legible/ and/or not printed	22 () Receivers signature not legible/ and/or not printed
23 () PR's created after purchase	23 () PR's created after purchase	23 () PR's created after purchase
24 () PR not reconciled	24 () PR not reconciled	24 () PR not reconciled
25 () Prohibited Purchases	25 () Prohibited Purchases	25 () Prohibited Purchases
26 () Exceeds minimum Gov't needs (Not req. to fulfill min immediate need to support DON mission)	26 () Exceeds minimum Gov't needs (Not req. to fulfill min immediate need to support DON mission)	26 () Exceeds minimum Gov't needs (Not req. to fulfill min immediate need to support DON mission)
27 () Suspected Fraud	27 () Suspected Fraud	27 () Suspected Fraud
28 () Untimely Certification	28 () Untimely Certification	28 () Untimely Certification

Reviewer: _____

Attachment 3

Management Response
from the Space and Naval Warfare Systems Command
Responding on behalf of the Space and Naval Warfare Systems Center San Diego



DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
5450 CARLISLE PIKE
PO BOX 2050
MECHANICSBURG PA 17055-0751

TELEPHONE NUMBER
COMMERCIAL
AUTOVON
IN REPLY REFER TO:
4200
Ser 0e1/218
7 JAN 04

From: Deputy Commander, Department of Navy eBusiness Operations
Office
To: Acting Assistant Auditor General for Financial Management
and Comptroller Audits
Subj: RESPONSE TO NAVAL AUDIT SERVICE DRAFT REPORT AND
PREPARATION OF DON EBUSINESS OPERATIONS OFFICIAL COMMENTS
Ref: (a) DON NAVAUDIT memo 7547/N2003-NFA300-0023 of 1 Dec 03

1. Per reference (a), the Naval Audit Service Draft Report NAVAUDSVC P - 7520.1, "Government Commercial Purchase Card Program at Selected Activities," 1 December 2003 was reviewed. The following are the DON eBusiness Operations Office (EBUSOPSOFF) responses to the proposed Naval Audit Service recommendations.

RECOMMENDATION #8 - Establish guidance for nonappropriated fund activities participating in the GCPC program.

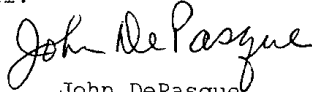
DON EBUSOPSOFF RESPONSE: Concur - DON EBUSOPSOFF concurs that guidance be established for nonappropriated fund activities participating in the Government Commercial Purchase Card (GCPC) program. The current purchase card policy/Instruction, EBUSOPSOFFINST 4200.1A, dated 2 September 2003, addressed the issue of nonappropriated fund activities. In paragraph 3 of the cover letter to the policy/instruction, it states, "Non-appropriated fund (NAF) activities are bound by the provisions of references (f) and (g) (references (f) and (g) are DOD Directive 4105.67 and SECNAVINST 7043.5B respectively) for purchase card procurement purposes. EBUSOPSOFF is currently working with the NAF activities in developing NAF specific purchase card policy and training. Once NAF specific purchase card policy is developed, EBUSOPSOFF will issue a separate and distinct purchase card policy specifically tailored for NAF activities while the appropriated fund activities will continue to follow guidance in EBUSOPSOFF 4200.1A." The draft nonappropriated purchase card policy is currently being reviewed for signature. The eBusiness Operations Office expects to have the policy signed out in January 2004.

Visit the NAVSUP Home Page at www.navsup.navy.mil
For One Touch Supply go to www.navsup.navy.mil/onetouch

Management Response
from the Department of the Navy eBusiness Operations Office

Subj: RESPONSE TO NAVAL AUDIT SERVICE DRAFT REPORT AND
PREPARATION OF DON EBUSINESS OPERATIONS OFFICIAL COMMENTS

2. The DON eBusiness Operations Office point of contact for
this matter is Don Rhoad, 717-605-3041, DSN 430, e-mail
donald.rhoad@navy.mil.


John DePasque
By direction